BUILDER'S CHOICE 2009: CALL FOR ENTRIES, SEE PAGE 51

PRODUCTS
KITCHENS AND BATHS STILL RULE
See page 45

Builder

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THE MAGAZINE OF THE NATIONAL ASSOCIATION OF HOME BUILDERS MARCH 2009



PLUS:
Rehab, Remodel … Revenue?
Consummate makeovers offer respectable returns

From left: Kevin Estes, Helen Dragas, Bob Youngentob

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BUILDING BETTER WITH BUILDING SCIENCE

MAKING THE CASE *for* BUILDING GREEN HOMES

Green building is growing exponentially. Builders and consumers are being driven to explore options in green building because of increases in energy costs, concern over environmental impact, and increased awareness about issues like indoor environmental quality. In addition, builders in a difficult market are looking for strategies to create a competitive advantage by differentiating their homes. Among some recent findings that showcase the growth of green building:

- The American Institute of Architects found that the number of American counties with green building initiatives has increased by nearly 400 percent since 2003.
- McGraw-Hill estimates the green building industry will be worth $60 billion by 2010.
- According to the Energy Information Administration's short-term energy outlook published Sept. 9, 2008, heating fuel expenditures are expected to increase over time.
- According to the Fourth U.S. Climate Action Report (2007), carbon dioxide emissions increased nearly 20 percent between 1990-2004. The mass media is daily urging consumers to seek ways in which they can reduce their carbon footprint.

DEFINING GREEN BUILDING

Green building is sliced and diced different ways by various organizations that promote or certify green buildings. But there's one common thread that's shared by virtually all programs and experts: building science. Fundamentally, a building must be designed and built to perform as a system and must take into account a multitude of individual performance characteristics in order to perform well as a whole. To be a green building, it must perform against specific performance standards. In other words, the performance must be real and measurable.

The *Environments For Living® Certified Green* program has measurable performance metrics. It includes requirements in five of the six primary components of most green building initiatives – energy efficiency, resource/material efficiency, water efficiency, indoor environmental quality, and homeowner education. The one green building component not addressed in the program – because it is prescriptive and not a points-based checklist program – is site planning. This means builders who choose the *Environments For Living Certified Green* program can add site planning and easily meet the requirements of most local green building programs and/or a national program such as the National Association of Home Builders' (NAHB) Model Green Home Building Guidelines. Builders who wish to achieve one of those certifications, or the U.S. Green Building Council's LEED for Homes program, are invited to contact our staff to determine how they can best fulfill the requirements of the *Environments For Living Certified Green* program, plus the local or national certification of their choice.

GREEN STARTS WITH ENERGY

Joseph Lstiburek, Ph.D., P.Eng., a principal of Building Science Corporation

“For as long as people have been building shelter, we’ve looked at buildings in the context of what nature does to them,”

says Ron Jones, founder of GREEN BUILDER and editor of Green Builder Magazine. “It’s only in the past few decades that we have really started to seriously look at it from the other direction and to examine the effect that buildings have on nature — not just individually, but collectively. As human population expands dramatically, we have to look at our built environment, the resource drain that it creates — not just materials used to build, but operationally. We have to examine all the other elements — indoor environment, quality, the waste stream, water — and of course we can’t have any of this discussion without talking about energy. These issues combined help us understand how much impact we have on the environment.”



“Green sells homes, but it has to be real. The *Environments For Living* program sells homes.”

–DR. JOSEPH L. LSTIBUREK

and an internationally renowned building scientist, believes green building is, first and foremost, all about energy. “Eighty percent of all environmental damage on the planet deals with energy in one way or another — finding it, transporting it, creating it, or using it,” says Dr. Lstiburek. According to him, green building efforts must focus on three key areas: energy efficiency, water efficiency, and material efficiency. “Of the three topics, I think energy is 80 percent of the deal. If you want a green, sustainable building, you have to keep your eye on the priorities. It has to be ultra energy-efficient first, then water-efficient, and then material-efficient.”

Dr. Lstiburek states: “The main benefit to the builder to actually provide a demonstrably green building is that the builder gets to sell a house that the public wants to buy. Green sells homes, but it has to be real, because the public is savvy enough to sort through what’s real and what’s not.” Additionally, he notes that while the *Environments For Living* program may not bring the customer through the door, it closes the deal. “That’s a huge benefit. The *Environments For Living* program sells homes. And the reason it sells homes is that it gives builders credibility they wouldn’t otherwise have.”

Dr. Lstiburek says he has seen some builders struggle unnecessarily to meet the air tightness and duct tightness requirements of the *Environments For Living* program. “If you’ve been focused on building appearance and you have to shift your focus to actually delivering a building that works, those performance specs aren’t easy. But they become easy once you’ve got your systems in place to deliver them. It’s an entirely different way of looking at how you put the building together.” In other words, says Lstiburek, for some builders “it ain’t easy being green” – but not to those who are open to change.

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DEPARTMENTS

ON THE COVER: WITH THEIR COMPANIES NAMED AMERICA'S BEST BUILDERS IN 2009, KEVIN ESTES, HELEN DRAGAS, AND BOB YOUNGENTOB HAVE EVERY REASON TO SMILE.

COVER PHOTO: ESTES: ANDY REYNOLDS; DRAGAS AND YOUNGENTOB: TINA WILLIAMS









WHAT'S NEW ON: WWW.BUILDERONLINE.COM

Builder Online

The Whole Story

Despite the growing complexity of the home building industry and conditions in the economy at large, builders can rely on BUILDER Online for in-depth coverage of all the topics they deem most important. You'll find articles on the 15 healthiest and weakest housing markets in the U.S. for 2009, the ups and downs experienced by companies during the downturn, and breaking news on everything from economic policy to design trends. Also, be sure to catch video news updates twice a week on the home page from BUILDER's editorial director Boyce Thompson and editor in chief Denise Dersin.

Presidential Seminar 2009

There's no reason not to attend this year's Presidential Seminar. Offered online and for free, attendees will be able to learn from some of the most respected names in the industry: Martin Freedland, John Burns, Scott Sedam, Chuck Shinn, Al Trellis, and John Schleimer. The seminar will be held live online as a series of six webinars throughout March and April, and attendees will have the opportunity to get their questions answered by the experts. The presentations will include topics such as surviving the downturn, navigating bank distress, developing niche products, acquiring new sales and marketing techniques, mastering the rules of lean building, and finding financing. For more information and to register, visit www.builderonline.com/presidentialseminar.

COMMENTS, SUGGESTIONS, AND NEWS FOR BUILDER ONLINE?

E-MAIL DENISE DERSIN AT: **ddersin@hanleywood.com**

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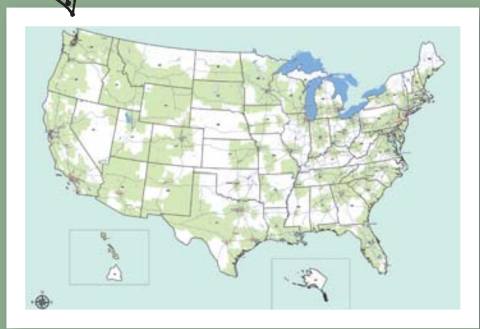
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Spring is in the Air

Promising developments indicate that housing may be close to bottoming out.

THE DAYS ARE GETTING LONGER, SPRING TRAINING HAS begun, government stimulus is in the air, and it seems like thaw is beginning to crack the home building market. Several reports of late indicate that we may be nearing the bottom of the housing downturn. It's nearly spring—allow me to wax optimistic for a while.

Lest we forget, builders traditionally do 40 percent of their yearly sales from March through June, so business may seem a little better as spring rolls around. As the school year draws to a close, families put in place plans to move to a better school district or get a bigger house to support a second kid. Empty-nesters contemplate that next move to a home that better fits their lifestyle. Hip model centers coax apartment dwellers into taking the homeownership plunge.

Some of these demographic dynamics, as predictable as migration, are already blooming. Surveys of builders reported surprising increases in buyer traffic during the first two months of the year. Prospects came out to see what they could get with today's lower prices, new models, additional incentives, and lower mortgage rates. New homes haven't been this affordable since 2003.

First-time buyers have an added incentive to buy this year. They can qualify for the $8,000 tax credit. And everyone who can make the down payment can qualify for 30-year, fixed rate mortgages that, as of mid-February, are down a point and a half from July. Who knows how long that will last.

The tax credit, though it may not be as big as home builders would have liked, certainly takes away some of the downside risk to buying a home today. Economists at Moody's Economy.com expect price declines to bottom out at a 36 percent fall from the peak, which means we only have another 11 percent to go. They expect the market on a national basis to hit bottom in the fourth quarter of the year, setting the stage for a housing recovery next year.

"The market's correction to date has been substantial, wringing out many of the excesses that precipitated the crash," Moody's Mark Zandi and crew write, noting that existing-home prices have returned to 2004 levels. "More than three years since the market began correcting, inventories are flattening, prices are coming back down to earth, and sales are approaching stability." Some markets will undoubtedly recover before others. BUILDER, with the help of Hanley Wood Market Intelligence, recently analyzed the strongest and weakest among the 75 major home building markets. Five of the healthiest were in Texas cities that added jobs last year and experienced very little depreciation in home prices, if any. Several markets in the Carolinas, Fayetteville, Ark., Indianapolis, and Nashville, Tenn., also made the list of the 15 strongest markets, which tended to be places where pricing didn't get out of control during the housing boom. You can find the list at BuilderOnline.com.



KATHERINE LAMBERT

The new economic stimulus package is so large, at nearly $800 billion, it will undoubtedly stimulate economic activity and job creation. New government initiatives to take bad assets off bank balance sheets may help get capital flowing. And if recently announced efforts to stem the foreclosure crisis actually work, the government will have dealt with the major impediments to a housing recovery.

These new government efforts come at a time when the home building market appears to be "self-correcting." Mortgage rates, with some help from the Federal Reserve Board, have dropped to highly affordable levels, home prices have fallen to where most households can afford to buy a new home, and the industry has cut back dramatically on new-home supply. If the housing market does rebound soon, it may be hard to identify the root cause.

The big question, of course, is whether the accumulating list of positives will outweigh the drag from a recession that appears deeper than most economists expected. Don't forget, though, that new-home sales have managed to grow during economic recessions before. Let's hope the industry can come through in the clutch again and perform its time-honored role of lifting the economy out of recession.



BOYCE THOMPSON
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That's the next round of foreclosures, because if they have an ARM they can't refinance.

Respectfully,

MARK COOPER
Broker
Coldwell Banker
Residential Brokerage
Greenwood Village, Colo.
Via e-mail

Difficult Days

JUST WANTED TO LET YOU KNOW HOW meaningful your letter from the editor in Builder magazine was this month ("Second Acts," February, page 15). I don't think I've ever written to a magazine before, but this really struck a chord with me, and I know I'm not unique.

My husband started a small custom home company six years ago and enjoyed a good measure of success, recognition, and personal satisfaction for his accomplishments in the first five years, including being awarded a Custom Home of the Year in 2007 in our market (Greater Houston). What a difference a year makes! In May 2008, we were forced to file for bankruptcy after the banks called in the loans on two of our large spec homes. The past year has been one of the most demoralizing, soul-searching, and depressing of our lives. The problems encountered by other builders as detailed in the article "Taking the Plunge" (February, page 84) ring true, from personal financial ruin to threats of bodily injury against our family, with the length of bankruptcy proceedings taking, in our case, three times the estimated amount of time.


EDITOR'SNOTES

Second Acts

If history has taught us one lesson, it's that endings can mark a new beginning.

SOME 60 YEARS AGO, F. SCOTT FITZGERALD FAMOUSLY observed, "There are no second acts in American lives." There's been a lot of discussion about what he really meant by that, but taken at face value, the expression couldn't be further from the truth. We are a nation built on second acts, a nation of comeback kids.

Your magazine this month was encouraging because, first of all, it gave us perspective into the sheer magnitude of other builders in similar situations. Dissolving a family business leaves one feeling completely isolated and personally inadequate. It helps to know that many, many other people with even longer histories and bigger companies are undergoing the same circumstances. Secondly, your letter was upbeat about moving forward armed with new perspectives and insights into what to do differently next time.

Blessings to you for your helpful words! This letter is definitely getting posted somewhere in our office so that it will be a reminder to us in the continued difficult days ahead.

Name Withheld Upon Request

Needless Delays

I WHOLEHEARTEDLY AGREE WITH JAMES Lyons' article about the promise and benefits of PEX piping ("Promising Plumbing," January, page 47).

I am completing a 3,400-square-foot remodel in a Northern California municipality (Oakland). I had planned on using PEX throughout for all of the reasons stated in Mr. Lyons' article. Unfortunately, I was prohibited from doing so by the local building department for all the wrong reasons.

It seems that PEX piping was allowed under the California Plumbing Code a decade ago. However, a lawsuit was filed to force the state to *(see page 21)*

perform an environmental impact study, even though PEX has been used for decades elsewhere in the world without a problem and even though PEX is approved by the NSF.

It is reported that no genuine health issue could be identified in the lawsuit. Rather, the two principal backers of the lawsuit were the plumbers' union and a trade counsel for copper manufacturers in an anti-consumer, anti-environmental effort to protect their existing levels of income.

Speaking with the city's chief plumbing inspector, I sense that he agrees with Mr. Lyons as well, but his hands are tied. Like the majority of counties and municipalities in California, PEX is prohibited for fear of future liability at a local level. He is waiting until PEX piping is re-allowed under the California Plumbing Code so the cost of legal challenges and liability can be shifted to the cash-strapped state instead of landing on the cash-strapped city.

I hope this issue is resolved soon. It pains me to continue to waste time and money using copper when such a viable, clearly superior product exists. It's time our governments protect the interests of consumers and join us in the 21st century.

BRAUN DEGENSHEIN
Owner
Skyway Remodel
Oakland, Calif.
Via e-mail

Mind the Gap

How about four ways to reduce energy costs in any home: Imagine leaving a window open all winter long—the heat loss, cold drafts, and wasted energy! If your home has a folding attic stair, a whole-house fan or AC return, a fireplace, or a clothes dryer, that may be just what is occurring in your home every day. These often overlooked sources of heat loss and air leakage can cause heat to pour out and the cold outside air to rush in—costing you higher heating bills.

Air leaks are the largest source of heating and cooling loss in the home. Air leaks occur through the small cracks around doors, windows, pipes, etc. Most homeowners are well aware of the benefits caulk and weatherstripping provide to minimize heat loss and cold drafts. But what can you do about the four largest holes in your home—the folding attic stair, the whole-house fan or AC return, the fireplace, and the clothes dryer? Here are some tips and techniques that can easily, quickly, and inexpensively seal and insulate these holes.

Attic Stairs: An easy, low-cost solution to this problem is to add an attic stair cover. An attic stair cover provides an air seal, reducing the air leaks. Add the desired amount of insulation over the cover to restore the insulation removed from the ceiling.

Whole-House Fans and AC Returns: An easy, low-cost solution to this problem is to add a whole-house fan cover. Installed from the attic side, the whole-house fan cover is invisible. Cover the fan to reduce heating and air-conditioning loss; remove it when use of the fan is desired.

Fireplaces: A recent study showed that, for many consumers, their heating bills may be more than $500 higher per winter due to the air leakage and wasted energy caused by fireplaces. An easy, low-cost solution to this problem is to add a fireplace draftstopper. Available from Battic Door, a company known for its energy conservation products, a fireplace draftstopper is an inflatable pillow that seals the damper, eliminating any air leaks. The pillow is removed whenever the fireplace is used, then reinserted after.

Clothes Dryer Exhaust Ducts: An easy, low-cost solution to this problem is to add a dryer vent seal. This will reduce unwanted air infiltration and keep out pests, bees, and rodents. The vent will remain closed unless the dryer is in use. When the dryer is in use, a floating shuttle rises to allow warm air, lint, and moisture to escape.

If your home has a folding attic stair, a whole-house fan, an AC return, a fireplace, or a clothes dryer, you can easily, quickly, and inexpensively seal and insulate these holes.

Posted on BuilderOnline.com
in response to Nigel Maynard's
article "10 Things You Must Put
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INSIDE STORY

Inside:

COMMENTARY AND ANALYSIS OF CURRENT EVENTS ■ EDITED BY JOHN CAULFIELD



DAVID CLARK

TARGETING RENTERS

Exception to the Rule

Converting renters to owners propels LGI Homes' growth.

Mike Snider likes to say that LGI Homes, where he's executive vice president of home building, does "everything the opposite of other builders."

That contrariness has been paying dividends for the Conroe, Texas–based company, whose officers claim is the only production builder among the top 200 that increased its revenue and closings in each of the last three years.

LGI has a unique business model that favors spec building, targets local renters, and follows leads with a highly trained salesforce. The company expects to break records for dollars and unit sales again in 2009 and is raising capital to expand beyond its two subdivisions in Houston and one in San Antonio. "There's no reason why, in the Texas market, we can't go to five, eight, 10 communities, take the LGI way of selling there, and be phenomenally successful," says Eric Lipar, the builder's president.

That confidence, in the face of a housing recession, would be laughable if it weren't for LGI's track record in recent years (see "A Decade of Growth," page 26.) Lipar's father founded LGI Homes in 1995 as a land developer specializing in acreage home sites located 45 to 60 miles outside of urban centers. It continues in that business today, but five years ago its owners decided to take that business model into entry-level housing. A year later, it hired Snider, a former project manager at Tadian Homes in Michigan, whose training has focused on environmental sciences and land-use planning.

"We try to keep things simple," says Snider, starting with the homes: LGI builds from six house plans per subdivision and doesn't offer options, so it can build houses in 45 days that range from 900 to 2,500 square feet *(see page 26)*

and sell from $95,000 to $160,000. LGI prefers specs because it wants buyers to see what they'd be moving into, surrounded by lots of parks and playground space.

Every four to six weeks, LGI spends $60,000 per subdivision to send out 38,000 direct mail pieces to apartment dwellers within a 30-mile radius of each of its communities. "Repetition is key," says Snider, in getting prospects to see how owning a house can be less expensive than renting an apartment. *(see page 28)*

A DECADE OF GROWTH

Year	Closings (in units)	Revenue (in millions)
2005	260	$28
2006	418	$54
2007	434	$59
2008	475	$63
2009 (est.)	500	$65–$70

SOURCE: LGI HOMES

CREATING NEW CUSTOMERS: LGI Homes has expanded steadily by marketing its entry-level homes to local renters.

EMPHASIZING EFFICIENCY

Mark to Market

KB Home rolls out flexible house plans to compete with resales.

By early 2008, KB Home recognized that its main competition was mounting resales and foreclosures. The Los Angeles–based builder had already adjusted its house plans and construction practices to make its homes economical and in line with the builder's build-to-order business model. But the sheer numbers of unsold inventory in markets such as Southern California and Arizona made selling new product nearly impossible.

So KB took another look at its besieged submarkets and customer surveys. "There were a few real 'ahas,'" recalls Steve Ruffner, president of the builder's Southern California coastal division. KB found that buyers want houses that are more efficient to live in. Ruffner also says there was "high demand" for single-story houses in markets where there weren't many.

His division got together with trade partners and suppliers to devise a new kind of home that could be built for efficiency and priced to compete directly with resales and foreclosures. What emerged is KB's Open Series of house plans, "the fullest expression of our Built to Order brand differentiation," says Jeff Mezger, KB's president and CEO.

Ruffner has seen his share of so-called innovations come and go in his 21 years with KB. But Open Series is different, he insists. KB Home plans to roll out Open Series homes to 25 percent of its communities this year and conduct grand openings for the concept in half of those targeted communities by the summer. The builder expects Open Series homes to account for 50 percent of deliveries in the second half of 2009.

The houses, with three to five bedrooms, target first-time buyers with prices in the high $200,000s to the mid $300,000s. "We wanted to design homes that a medium-income buyer could afford," says Ruffner. "That is unusual for California." While the house plans range from 1,239 to 2,300 square feet on 3,500- to 6,000-square-foot lots, Ruffner says KB isn't focusing on their size. "If you walk through them, you wouldn't get caught up in their square footage because of the way they are laid out." Buyers can choose to increase the size of the house's master bedroom by altering the room count and can also add options from KB's My Home My Earth selection.

The houses are value-engineered to reduce construction costs, and KB has compressed the cycle time for Open Series to deliver a house within 10 weeks of a buyer's signing a contract, or about half the cycle time of KB's other houses. The series' 50 or so floor plans include such time- and cost-saving solutions as positioning bathrooms back-to-back so they require only one plumbing tree. Mezger told investors in January that KB's direct costs to build a 1,700-square-foot Open Series house in Tucson, Ariz., were $63,000, versus $89,000 for a comparable existing KB-made house in that market. "That's a significant game changer for us," says spokeswoman Heather Reeves.

The series' designs also make it easier for the completed house to comply with Energy Star ratings (a standard feature in all KB houses) in terms of its insulation, windows, HVAC, and thermal bypass inspection. That rating is a key selling point against resales that, Ruffner says, are 45 percent less efficient than newly built houses.—*J.C.*



A COMPACT RESPONSE: KB Home is rolling out its Open Series of house plans, which includes giving buyers choices about master bedroom sizes.



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And that strategy is working: LGI received, on average, 95 prospect calls per week in 2008.

Unlike other builders, which have reduced their sales staffs and office hours, LGI has five to seven sales reps per subdivision. Each of the sales offices is open from 8:30 a.m. to 8 p.m., seven days a week. Every salesperson goes through 30 days of corporate-culture indoctrination and 90 days of sales training before he or she speaks to a customer.

Through its affiliation with Interlinc Mortgage, LGI can place a loan officer at each subdivision to guide renters through the ownership process. LGI pre-qualifies all prospects before they ever see a house, and most customers buy with either an FHA or USDA rural development loan. Snider says LGI is closing its customers within 30 days of their purchase.

LGI Homes purposely bought enough land in its three subdivisions to build between 700 and 900 units in each, which means it has enough land to meet its construction and sales goals for the next two years. "We believe we have a story to sell, a story that needs to be told, and a story that will allow us to grow," says Lipar. By raising $10 million from private equity sources, Lipar says his company is gearing up for what he anticipates will be "lots of opportunities" to pick up distressed property taken over by banks "for 20, 30, 50 cents on the dollar." The builder will open two new communities this year, and neither Lipar nor Snider seems worried that the housing recession could linger for a couple more years. "Apartment rent and occupancy [rates] are on the rise," says Snider. "So we believe the downturn is positive for our business."—*J.C.*

ALTERNATE INCOME

Outside the Box

Light-commercial work is providing new revenue streams during the downturn.

As housing demand remains slack, builders are searching for alternate revenue sources until market conditions improve. A growing number of builders seem to be moving toward light commercial, as evidenced by the doubling of the membership in the NAHB's Commercial Council last year.

Three builders whose companies generate income from commercial and rental properties they've developed told a large and attentive audience at the International Builders' Show in January that this sector can be profitable and could be ripe for upgrading or transforming aging or closed retail centers.

The panelists—John Piazza, who owns the custom builder Piazza Construction in Mount Vernon, Wash., which has done commercial work for decades; Dick Rokes, a former Seattle-area condo builder whose portfolio now includes 14 mini-storage facilities, two retail strip centers, and a car wash; and Elton Parsons, a Kansas-based developer and consultant—shared timely advice on how builders might get started in commercial construction, finance those projects, market their services, and choose investment partners.

Builders should start small, advised the panelists. Piazza said he began by building a duplex a year, which evolved into building fourplexes and, more recently, a 200-unit office complex. He and Rokes recommend that builders retain ownership of some of their projects for rental income.

Parsons cited opportunities that include constructing medical complexes for cash-flush doctors, and schools for expanding smaller communities that the builder might lease back to the school district. Recently, he's been fixing up and leasing back convenience stores, from which his projected payback is 36 months on the rehabs and 12 years on the purchases.

Financing is any commercial builder's greatest challenge. Rokes, who started his own community bank, said builders must present banks with a compelling loan package steeped in details about the scope of the project and its anticipated return on investment. The panelists also seem to favor joint ventures. "People with land and money are rarely builders, and they are looking for your expertise to get their projects off the ground," said Parsons.

"I'm a big fan of OPM," said Piazza, as in Other People's Money. Whenever his company gets involved with other partners, he asks for the creation of a limited liability company in which Piazza Construction owns 55 percent. This way, his construction company can manage the project and divert its liabilities to the LLC.

A builder in the audience asked Rokes, who has had success building and refurbishing strip malls, about getting into that sector when thousands of retail outlets are closing. Bloomberg.com recently quoted the retail consultant Davidowitz & Associates, which expects another 12,000 retail stores will shut down in 2009. Rokes sees an opportunity for turning lemons into lemonade. "There's going to be a lot of retail that goes out of business and will need to be turned back into a vanilla shell" in order to be re-leased.

Rokes and Piazza also like the mini-storage business for alternate income. "Every builder here can build a mini-storage facility," said Rokes, for which financing is "relatively easy" to obtain. Piazza said several of his tenants are running their businesses out of units in his mini-storage facility, with each paying $300 in monthly rent, excluding power. Mini storage isn't recession proof, conceded Rokes, "but you can do fairly well in a recession with them."—*J.C.*

GOT AN INSIDE STORY?

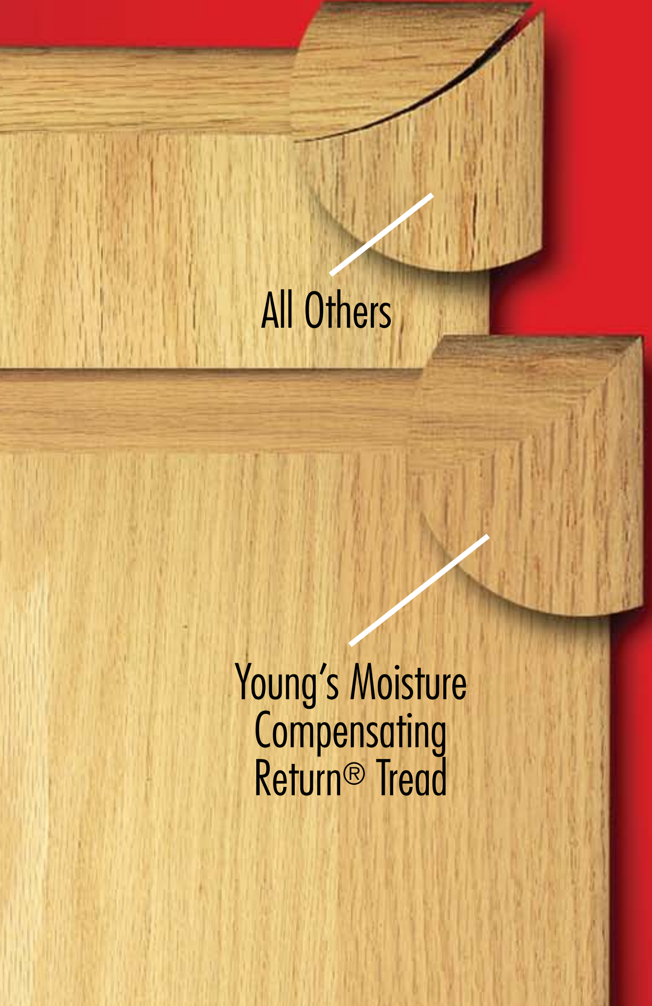
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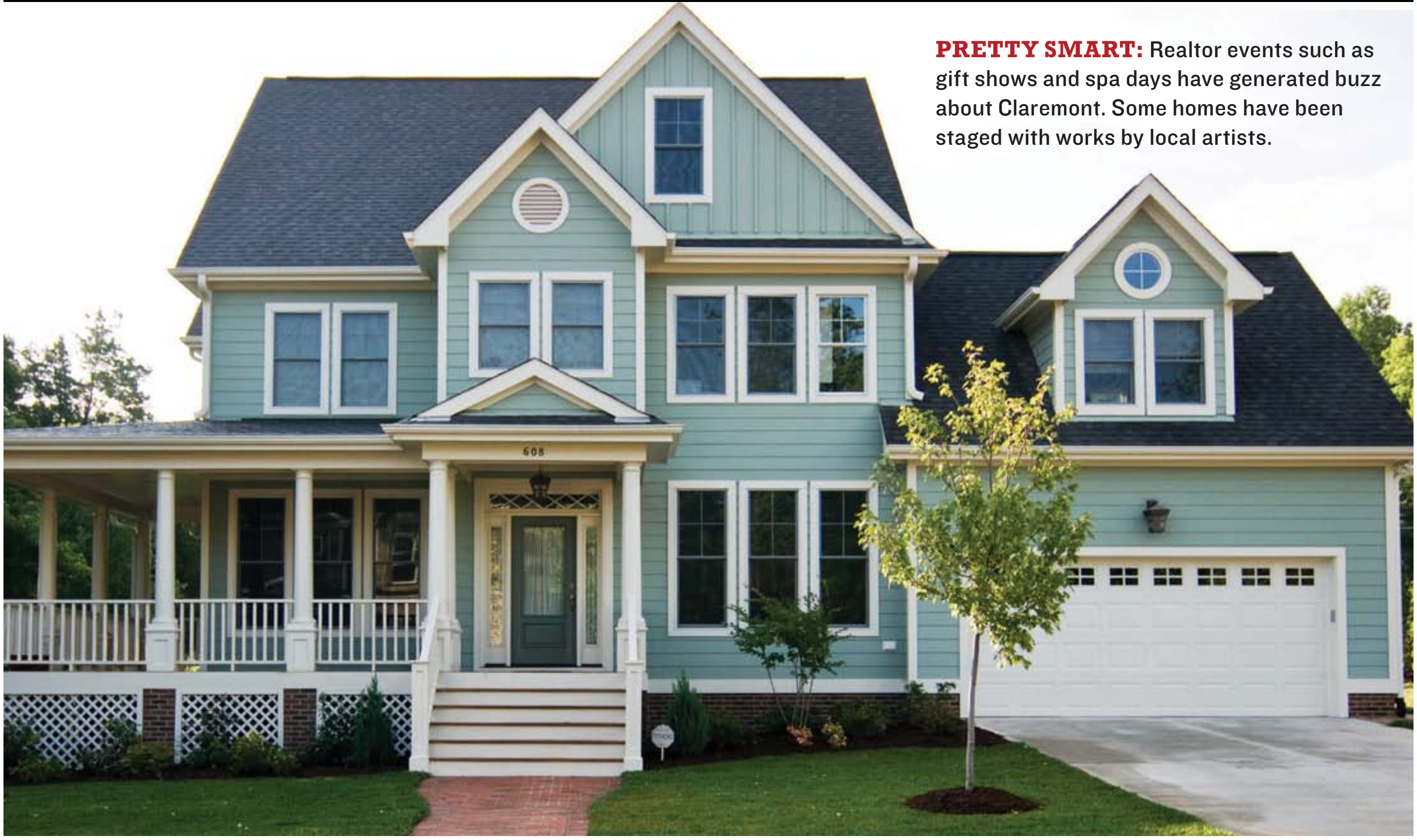




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PRETTY SMART: Realtor events such as gift shows and spa days have generated buzz about Claremont. Some homes have been staged with works by local artists.

RICK RICOZZI

SMALL DETAILS

Personality Contest

A distinct sense of style adds up for one Carolina builder.

Back in December 2008, most home builders were feeling grim, at best, as home prices in free fall were joined by the collapse on Wall Street. Zinn Design Build, however, was sitting pretty, having placed nine homes under contract in the previous 11 weeks. Not bad for a family-owned business in Chapel Hill, N.C., that builds just 17 to 25 houses annually.

Also not bad considering sales of other nearby homes in the same price range ($519,000 to $1.3 million) were collectively down 40 percent from the previous year.

Owner Carol Ann Zinn attributes her company's buoyancy, at least in part, to a couple of fortuitous moves. One was relieving her existing salesforce and starting over with a more experienced team. But of course the new salespeople needed something good to sell—and that's where it matters that Zinn has always treated building as part art, part business.

A former artisan potter, Zinn began dabbling in Carolina real estate development in 1976 when her sons were small. It wasn't long before the creative energy she'd been pouring into ceramics was redirected into single-family homes with a boutique sensibility.

That approach has served her well over the years—even now. Although most of her firm's homes are based on a portfolio of in-house plans (all designed by Zinn herself), no two are alike. One might offer clapboard siding, clean-lined *(see page 32)*

LOCATION: CHAPEL HILL, N.C.

- **Community:** Claremont
- **Total acreage:** 27 in phase I, followed by 38 in phase 2
- **Date opened for sale:** December 2007
- **Product:** Single-family and townhomes from 2,200 to 3,700 square feet
- **Price range:** $375,000 to $1 million
- **Total number of units at build-out:** 176 (phases I and II)
- **Sales to date:** 17
- **Builder/Developer/Designer:** Zinn Design Build, Chapel Hill, N.C.





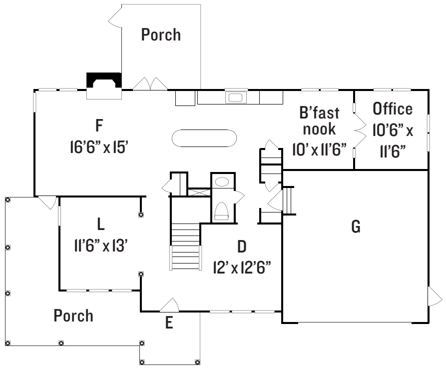
GOURMET INGREDIENTS: Painted kitchen cabinets with European styling are a hallmark of Zinn's recent work.

Scandinavian window treatments, and subway tile, for example, while another might be shingle-clad with hand-turned newel posts and British-inspired cabinetry. Custom fireplace mantels and built-ins are often commissioned from master furniture makers in nearby Durham.

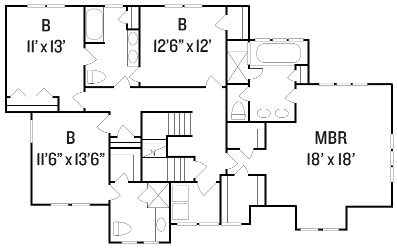
"People either like what we do or they don't," Zinn says. "If they do, they certainly can't find anything else like it in the area."

Zinn residences often beguile with an eclectic charm you'd be more likely to find in remodeled older houses, but each also provides the best that new construction can offer. All homes are Energy Star and GBI certified, and feature airtight insulation, high-performance appliances, tankless water heaters, green label carpeting, specially filtered air handling systems, reflective roof sheathing, and zoned irrigation landscaping. For buyers, those ingredients can mean energy savings of up to $740 per year, compared to conventionally built new homes, Zinn says. Roughly 70 percent of the builder's business is spec homes, while the other 30 percent is custom commissions.

Granted, the business model hasn't been completely recession proof. "We have come down slightly in our pricing, although not hugely," says Omar Zinn, one of Carol Ann's two sons who now run the development



FIRST FLOOR



SECOND FLOOR

side of the business. "A year ago, we were getting 99 percent to 100 percent of asking price, whereas now it's more like 95 percent or 96 percent."

Rather than drastic price cuts, the preferred strategy has been to throw in more comps and special details, he adds. "Right now it's about moving product and having the builder and homeowner win, not having the bank win. You've gotta give a little bit more these days in order to get."

Taking note of shifts in consumer preferences and loan qualifications, the builder also has rounded out its plan selection to include smaller single-family detached and townhomes in its newest community, Claremont, which it is building in partnership with J.T. Lewis, another local design/build firm. "We are now offering single-family houses ranging from 2,200 to 2,700 square feet, whereas the last subdivision we finished had 3,700- to 3,800-square-foot homes," says Carol Ann. "We built one custom house for a client that was 2,200 square feet, and so many people were stopping by the site and asking the agent about it, we decided to do more of them."

Those smaller homes will continue to receive the same TLC as larger homes —which for Zinn amounts to construction costs averaging $200 to $210 per square foot, including the lot.

"Our buyers are emotionally drawn," says Omar. "They aren't looking for a national home builder or the highest square footage they can get."

Rather, they're looking for something with character. "We let them draw the line in terms of what they can customize," he adds. "If you want a fireman's pole in your house, we'll do it."—*J.S.*

PHOTOS: RICK RICOZZI

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TOPSHELF

THE LATEST AND GREATEST BUILDING PRODUCTS ■ EDITED BY NIGEL F. MAYNARD

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Nice Fit

This Energy Smart bulb looks like an incandescent, but it's really a compact fluorescent in disguise. The 15-watt unit has the appearance, size, and fit of a traditional bulb and has the equivalent output of 60 watts. It's guaranteed for five years based on four hours of daily use. ■ **Cost: $5.99 to $7.99. GE Consumer & Industrial. 502-423-7710. www.ge.com.**

(see page 36)



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Ebb and Flow ▼

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Mosaic Magic ▼

Liberty is a collection of colorful transparent glass mosaic tiles from Miami-based Trend USA. Made from hand-cut glass, the tiles are produced in a variety of compatible shapes and assembled on a sheet measuring roughly 12 inches by 10 inches. The line is produced in seven colors. ■ **Cost: $45 per square foot. Trend USA. 866-508-7363. www.trendgroup-usa.com.**



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GREEN HOUSE

SUSTAINABLE DESIGN, CONSTRUCTION, PRODUCTS & SALES ■ EDITED BY RICH BINSACCA



CURB APPEAL: Builder Andy Toms simply adapted and upgraded the specs on an existing plan to achieve a gold rating without having to alter the home's aesthetic appeal.

GREEN CERTIFICATION

Learning Experience

A model home built to the highest standard of the NAHB's green building program offers lessons about the certification process.

When the NAHB released its green building program in early 2007, Andy Toms was curious. Like many builders, he wanted to know how his homes, unchanged, measured up to the program's standards and rating system. "We found we were building to a bronze level, almost a silver, without making any adjustments," he says. Toms, the director of production for EGStoltzfus Homes in Lancaster, Pa., a diversified firm with about 169 starts a year, says he compared specifications and used the program's online scoring tool. "We knew we had a good product, but we'd never pushed the energy or green angle [in our marketing efforts]."

Given his findings, Toms became interested in the process to get his company's homes certified and what marketing benefits might result—especially in a slumping housing climate and an area with little experience in green building practices. "Nobody here, including subs and suppliers, had any working knowledge of green building," he says. "We were blazing the trail." (see page 40)

Inside:

Green Touch

Whirlpool Corp.'s new Green Touch Program combines a wealth of products, design tools, and marketing assistance to help builders achieve higher levels of sustainability. The appliance giant boasts more than 600 Energy Star–qualified and other appliances (including HVAC equipment) that save water, energy, or both while promoting healthy indoor air. The new program also offers several Internet-based tools that streamline the design, project visualization, and product selection processes, including a digital gallery of homes and 3-D virtual tours of exemplary



homes. Builders also can use a trio of awards programs sponsored by Whirlpool that recognize green building efforts and assist in the promotion of green-built homes. Visit insideadvantage.com/sustainable or call 800-253-3977 for more information. ▸

ISO Insert

The new ISO 15392:2008 standard establishes internationally recognized principles for sustainability in building construction, providing yet another protocol for builders and other housing industry stakeholders. The standard offers a suite of "cradle to the grave" standards that address specific issues and aspects of sustainability, including building materials, products, services, and processes, and offers insight into balancing the economic, environmental, and social aspects of those choices with requirements for technical and functional performance. The standard is available at www.iso.org.

Green 2013

McGraw-Hill Construction's "Green Outlook 2009" estimates that the value of green building construction in the U.S. could reach $140 billion by 2013, based on continually dramatic growth, social and economic benefits, and increases in LEED certification and government regulation. The report estimates that green building also might help tackle unemployment through green jobs and can address other societal issues, such as healthier home and work environments. Green building also appears to be the bright spot in an otherwise tough economy by offering economic benefits including ▸

Toms selected an existing 2,600-square-foot plan within the company's Hempfield Crossing community to serve as a guinea pig. His intention was to build the two-story house as a model home certified to a gold rating under the NAHB program, which would enable him to determine the right mix of specifications against both a budget and buyer demand, gauge potential utility savings and payback for those efforts, learn the ropes of periodic independent inspections to verify his work, and see if prospects would bite.

Finished in August of last year, the model home is generating interest and traffic, if not sales. To spur some conversions and also test whether green would sell in a buyer's market, Toms offered a choice: 10 percent off the price of any home or a 5 percent discount plus a free upgrade to the gold rating, alone a $12,000 benefit with potential energy *(see page 42)*

GREEN TRENDS

Infill Invasion

A recent AIA trends survey indicates a growing demand for infill housing projects.

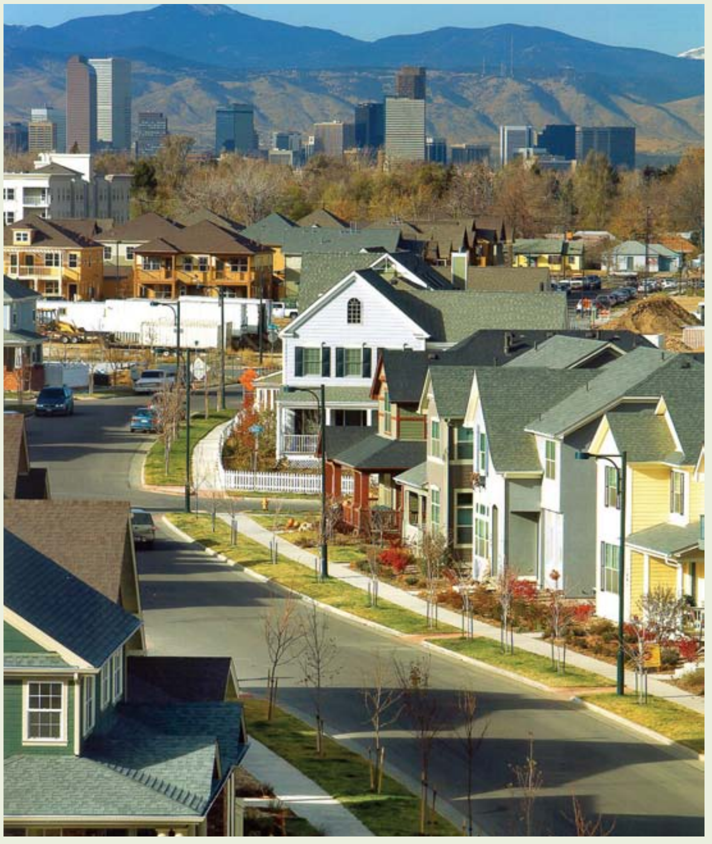
In December, the American Institute of Architects (AIA) released results of its quarterly trends survey that confirmed the growing demand for compact, infill development over suburban sprawl. Previously driven by demographics (young singles/couples and active boomers), and higher development fees and longer approvals processes for new outlying subdivisions, the urban movement now has more economic inspirations: the slumping economy (and housing prices), the fear of high gas prices, and childhood obesity.

"Due to the prolonged decline in housing construction and increasing commuting costs, consumer preferences for community design [are] shifting away from areas removed from metropolitan hubs and toward infill sites that have greater access to public transportation options," says the report.

The report points out the benefits of building in town, including neighborhood vitality and sustainability. It also references a study published in the *American Journal of Preventive Medicine* that shows green or compact neighborhood design can help mitigate growing rates of childhood obesity, diabetes, asthma, and hypertension.

With weak house prices in most markets, the AIA survey reports that home buyers are looking for locations where houses will retain value. Infill locations offer more convenient access to employment centers, commercial opportunities, and other daily household activities, bolstering their long-term value.

The "AIA Home Design Trend Survey" is conducted quarterly with a panel of 500 architecture firms that concentrate their practice in the residential sector. For more information, go to www.aia.org.—*R.B.*



INTEREST IN INFILL: Projects such as Stapleton in Denver by Forest City Properties, which redeveloped the city's old airport property, offer buyers a variety of attractive incentives to move in-town.

higher revenues, lower lifecycle costs, lower operating costs, and health benefits. For information, go to http://greensource.construction.com/projects.

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and water savings of about $1,000 per year.

No one took the green option. "In this market, price trumps everything," he says. In addition, Toms blames the 10-year return on investment he calculated based on total energy and water savings the green-built home can likely achieve. "People just don't stay in their homes that long anymore. If it was in the three-year range, it might sway more people."

A faster return on investment will only happen, he says, when manufacturers and building materials dealers reach a tipping point and put their green products on the primary production line. "When those items cost less, I can sell the house for less," he says. The premium to build the model home to the gold rating was about 4.8 percent of its $408,000 price tag—too high for his price-sensitive buyers.



NO CHANGES: "It looks like a normal house, not institutional," says builder Andy Toms, countering a misperception that both builders and buyers still have about homes built to green guidelines.

Despite a lukewarm reception in terms of sales, Toms is confident the market will eventually come around—and that EGStoltzfus Homes will be well positioned to serve demand for green-built homes. Local electrical rates have been targeted for a 30 percent increase early next year, which Toms anticipates will inspire some action. He also hopes to hone his specs to those that provide a faster payback, such as tankless water heaters and dual-flush toilets and the bulk of his energy-saving package (including the use of precast concrete walls), perhaps offering a silver option to make the numbers work better for buyers.

He's also now versed in the verification and certification process (which has improved, he says, as more verifiers are trained and available) and sees long-term value in the NAHBGreen certificate. "It may not mean much to a buyer today, but when they go to sell the house, it will mean a lot compared to homes without it."—*R.B.*

GREEN SUCCESS

How to Succeed in Green Building

A progressive builder is weathering the current housing climate using eco-friendly systems.

Bob and Kathe Tortorice of Building Alternatives in Franconia, N.H., focus on providing energy-efficient homes in four states by employing a variety of factory-built and high-performance building components and systems—from panelized and modular to SIPs and ICFs. The firm earned the distinction of building the most energy-efficient home in New Hampshire in 2007.

Kathe Tortorice offers some sage advice about sustaining a building business, specifically one in the green realm:

- **Use planning and communication skills.** Strategic planning helps to create better projects and buyer expectations, she says, which makes walk-throughs and homeowner education much smoother.
- **Leverage trade contractors.** "If you respect their strengths, they will begin to see yours," says Kathe, who holds an MBA but had little experience with construction before Building Alternatives. "My trade contractors helped me understand their work and how it affects the rest of the job."
- **Be proactive.** Write every idea down, she says, and always look for ways to improve the business and its processes.
- **Invest in design.** Good design never goes out of style, says Kathe, who also feels that a builder with a woman's perspective brings more value to the planning and design process, including decorating, furniture placement, the functionality of a floor plan, and the energy- and resource-efficient aspects of the firm's work.—*R.B.*

GOT GREEN PROJECTS, PRODUCTS, OR DESIGNS?

E-MAIL DENISE DERSIN AT: **ddersin@hanleywood.com**

PRODUCTS

PRODUCTS AND TOOLS EVERY BUILDER SHOULD KNOW ABOUT ■ EDITED BY NIGEL F. MAYNARD



WARM FRONTS: Sonoma cherry Bordeaux satisfies the trend for clean, contemporary design but does so in a warm, Shaker-style look that fits a transitional space. The line features adjustable concealed hinges, full-depth drawers, and 3/4-inch-thick plywood veneer boxes and shelves. Drawers are made with dovetail joints. ■ **Timberlake Cabinetry. 800-967-9674. www.timberlake.com.**

DOOR STORE: Cabinets aren't just about the doors and the finish. Home buyers want to put things in them—lots of things. This manufacturer offers a variety of storage options with its Elements line. The collection incorporates storage for cutting boards, small appliances, and cleaning implements. Shown: the ChefCenter in Calibra plantation hardwood. ■ **Armstrong World Industries. 800-527-5903. www.armstrong.com.**



Big Bangs

In a buyer's market, small details can create impact.

The Boom was a good period for home builders. Most builders saw huge financial gains, but that success made many of them less than attentive. Back then, houses sold so quickly there was little need for worrying over design, floor plans, or materials.

That way of doing business is gone. Builders now have to construct houses with extraordinary features and work hard to sell them for less money than they would have five years ago.

A new paradigm is in place, requiring a whole new strategy, and builders want to know what they *should* be doing. Smaller houses with efficient floor plans? Yes. Energy efficiency? Definitely. Quality finishes? You bet. In the kitchen, alternate countertop surfacing is in, and warm, contemporary design is seriously in.

"I've seen this contemporary look more in remodeling than in new construction, but I think builders will be looking at this not only as a reflection of the economy, but also to attract younger, hip buyers when the market comes back," says Connie Edwards, a certified kitchen designer and design director for Timberlake Cabinetry in Winchester, Va. Says Edwards, "It's interesting to note that a similar look was popular in the downturn of the '80s, although it was created with harder surfaces. Today's look is warmer, more natural."

Here then are five tips for creating kitchens and baths that can attract buyers in a slow economy. *(see page 46)*

Tip 1: The Kitchen is Still King

Just because there is a recession doesn't mean buyers want bland, soulless kitchens with little appeal. It matters now more than ever. "Even in a down economy, the kitchen remains one of the most important features buyers look at when it comes to making a housing purchase," says kitchen designer Connie Edwards. "Therefore, be careful where you cut." For dollar stretching, Edwards recommends a strong focal point such as a finer material used sparingly, a clever cabinet arrangement, a dramatic range hood, or funky light fixtures. "Having something breathtaking to catch a buyer's eye when they first enter the room makes it memorable, even if the rest of the room has been simplified," she says.

Tip 2: Faucet Fix

The pro-style range often takes center stage in a kitchen, but who says the faucet cannot assume that role? A high-powered range may not make sense for homeowners who don't cook. But everyone—even those who order takeout—uses a faucet, so a cool one might be the way to go. The trick, of course, is keeping costs in check. Scour the Internet for online vendors offering great deals or simply take a long look at a manufacturer's entire offering. There may be some surprises in there.



KARBON COPY: Picture this baby in a loft kitchen or condo. Drawing inspiration from lighting and construction equipment, the manufacturer designed the Karbon articulating faucet to be highly versatile. The lightweight unit uses a combination of brass and carbon-fiber composite tubing and offers four joints that allow the spout to assume many positions. It uses ceramic disks and comes in polished chrome or vibrant stainless steel. ■ **Kohler. 800-456-4537. www.kohler.com.**



GO AHEAD, TOUCH IT: The Pilar high-arc pull-down faucet functions in the traditional way, but its Touch2O Technology allows a user to start and stop the flow of water with just a simple tap on the spout or the handle. A blue LED light indicates when the technology is engaged, and it turns red when the batteries need to be replaced. It comes in chrome and Brilliance stainless, and uses Diamond Seal Technology and ceramic disks. ■ **Delta. 800-345-3358. www.deltafaucet.com.**

Tip 3: Hardware Heroes

Cabinet hardware is a small element, but it plays a major role in the feel of a kitchen or bath—sort of like the olive in a martini. Resist the urge to use flimsy products, which feel cheap. Instead, look for inexpensive pieces that have an upscale look and solid feel. Some manufacturers offer high-end looking products starting as low as $5 in a variety of finishes and styles to suit modern or traditional cabinets. "The overall benefit is luxury hardware at a great price," says Linda Jennings of Los Angeles–based Atlas Homewares. Plus, architects recommend using quality materials on surfaces that buyers touch often.



BUDGET LIVING: Luxury looks for a lot less is how the manufacturer describes its lineup of cabinet hardware. The Linea Collection is modern, but it's versatile enough for a transitional space. Available in polished chrome and brushed nickel, the pulls are produced in 5-, 8 $^{5}/_{8}$-, and 14 $^{1}/_{2}$-inch lengths. ■ **Atlas Homewares. 800-799-6755. www.atlashomewares.com.**

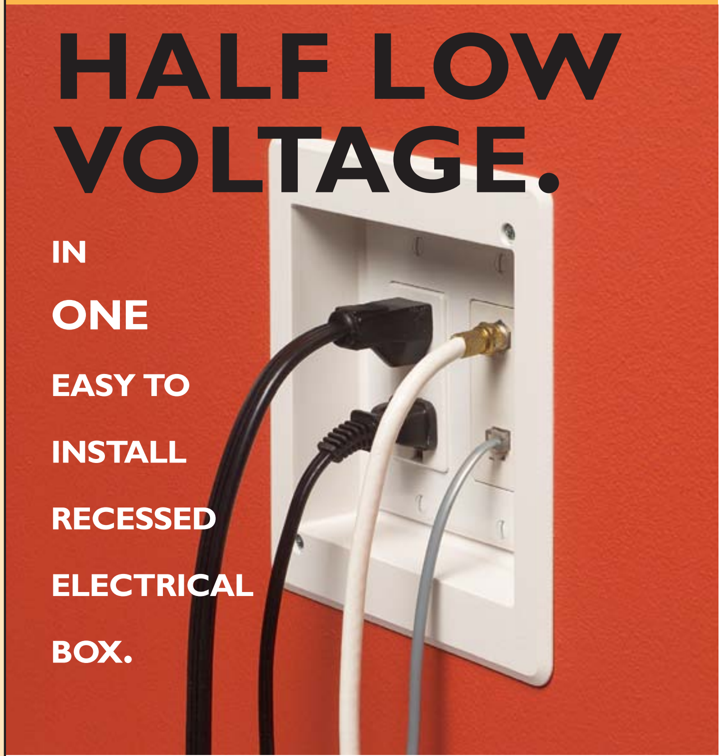
(see page 48)

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HALF POWER.

HALF LOW VOLTAGE.

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Fast, easy installation of power & *low voltage devices!*
Mounting "wings" hold box firmly in place.

Arlington's recessed two-gang **TV BOX**™ for old work allows you to mount LCD and plasma TVs, and other system components flush against the wall.

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TVBR505



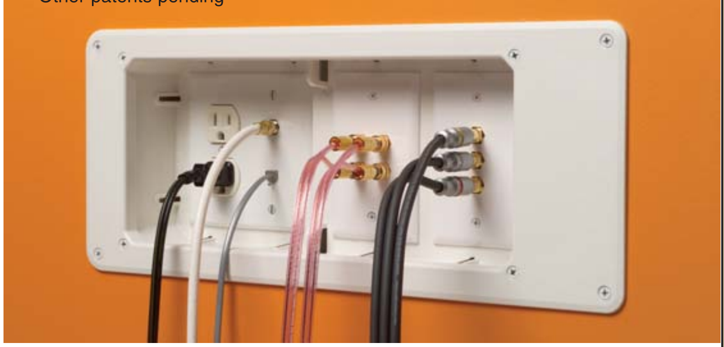
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Patented.
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Arlington's recessed, 13" wide **TV BOX**™ and indoor **IN BOX**™ for new or old work, allow LCD and plasma TVs to mount flush against the wall.

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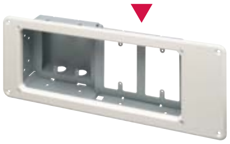
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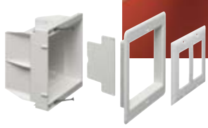
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Tip 4: Appliances With Wow

With the proliferation of cooking shows and the extreme popularity of professional-style appliances, home buyers have come to expect a lot. Built-in refrigerators provide a seamless look, but they're too pricey for most people, especially in this economy. Stainless steel is still the hot option, but more important are features home buyers will find useful. Look for ranges with more space, dishwashers that use less water, or refrigerators that conserve energy. If you're building a high-end product, you can save money by using the entry-level offerings in a premium line. Greenwood, Miss.–based Viking Range Corp., for example, offers a four-piece appliance package that costs $10,000.

ENERGY SAVER: Resource Saver is the industry's most energy-efficient side-by-side refrigerator, exceeding federal efficiency standards by 30 percent and Energy Star by 10 percent. It features a technology that adjusts cooling to bring food to the desired temperature in half the time and has added foam in the door. ■ **Whirlpool Corp. 800-253-3977. www.insideadvantage.com.**

TWO FOR ONE: The Profile convection wall oven looks like one unit but is actually a double that allows homeowners to cook two dishes at two temperatures at the same time. Measuring 30 inches, the oven provides room to roast a 22-pound turkey in the 2.8-cubic-foot lower oven and the rest of the meal in the 2.2-cubic-foot upper section. ■ **GE Consumer & Industrial. 502-423-7710. www.ge.com.**

(see page 50)





HOT STUFF: This commercial-style induction range is 90 percent efficient, so it will save money on utility costs. The 30-inch unit offers 3,700 watts of power and a convection oven with a self-cleaning feature and a glass-enclosed infrared broiler. It has eight cooking modes and comes in 23 colors and stainless steel. ■ **Viking Range Corp. 888-845-4641. www.vikingrange.com.**

UPlink // FOR MORE PRODUCT INFORMATION, VISIT EBUILD, HANLEY WOOD'S INTERACTIVE PRODUCT CATALOG, AT WWW.BUILDERONLINE.COM OR EBUILD.COM.



FLAIR FOR DRAMA: This customizable, eco-friendly vanity is sure to jazz up any bathroom. Made from bamboo plywood or Lyptus plantation-grown hardwood, the Avalon measures 48 inches wide, 20 inches deep, and 20 inches high. It has soft-closing doors and comes in 24 finishes. ■ **Vanity Flair. 888-479-4108. www.thefurnitureguild.com**.

Tip 5: Bath Time

The good news is that there is an almost limitless variety of products to help your bathrooms stand out among buyers, from countertops made with sandstone embedded in resin to lavatories carved from single blocks of onyx. Though this is not the economic climate for such extravagances, all is not lost. You can still make a style statement with alternative surfacing, an interesting vanity, and great medicine cabinets with ample storage.

TAKE A POWDER: The manufacturer's new line of vanities, toilets, and pedestal and vessel sinks satisfies traditional and contemporary tastes. Available in 24- or 30-inch sizes, the Orrington vanity (shown) comes in an antique cherry finish and features soft-close doors, interior side-pocket shelves, and removable storage trays. ■ **Danze. 877-530-3344. www.danze.com**.





PAPER CHASE: Instead of the obvious granite or marble, try EcoTop surfacing instead. The product is made from a blend of 50 percent post-consumer recycled paper and 50 percent wood fiber (including bamboo fiber), and bound with water-based copolymer resin. It comes in standard and custom colors. ■ **KlipTech. 253-507-4622. www.kliptech.com**.

GOT A NEW PRODUCT?

E-MAIL NIGEL F. MAYNARD AT:
nmaynard@hanleywood.com

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TECHTOOLS

TECHNOLOGY FOR THE MODERN HOME BUILDER ■ EDITED BY DAN DALEY

PRACTICAL APPLICATIONS

Greenware

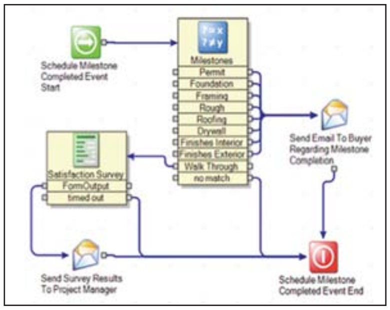
New software may help builders manage green construction.

Green initiatives sound good, but practical applications often lag behind good intentions. Demand is growing for environmentally friendly construction so fast that builders aren't able to find enough reliable, skilled professionals to do the work.

The U.S. Green Building Council has found the number of building industry professionals seeking LEED certification in the past two years has doubled to over 60,000. A McGraw-Hill Construction Survey predicts that between 40 percent and 50 percent of new homes built in 2010 are expected to meet green standards.

Builder management software systems will provide critical help. Constellation has an initiative to have all its products address the green data collection needs of its customers in 2009, says its vice president Craig Schweikart. Future software updates will manage credits, points, or dollars for a variety of green building programs, keeping a running green score on each house.

BuilderMT's approach emphasizes cycle-time reduction. "Reducing construction time by even one day can have a substantial environmental impact," says company president Tom Gebes. BuilderMT's own studies show cycle times reduced by as much as 95 days per home.



STREAMLINING THE PROCESS: BuilderMT's approach emphasizes cycle-time reduction.

One complication for all software developers is the need to accommodate the variety of metrics from the various green standards developers. Unfortunately for builders seeking simplification, the likelihood of a universal environmental standard emerging anytime soon is considered remote.—*D.D.*

COST CONTROL

On Track

DPFG's RTS helps follow the trail of reimbursable costs.

Consulting firm DPFG's new reimbursement tracking system (RTS) allows a company to track reimbursable costs for a company's development projects. The Web-based software lets users discern expense functions such as expenditures to date, costs reimbursed to date, and costs that remain to be reimbursed, all in real time.

The software was originally developed four years ago for internal use for the company's consulting clients, mostly residential and commercial developers and builders. However, says DPFG manager Lisa Welthy, the downturn in the housing market presented an opportunity to make RTS a retail proposition. "As builders were laying off staff, RTS was able to do the work of tracking reimbursements automatically," she explains.

Applications for RTS include special state taxing districts such as community facilities districts, improvement districts, special improvement districts, municipal utility districts, public improvement districts, metro districts, and community development districts. Other aspects covered are development impact fee credits, cost sharing agreements, joint development agreements, utility reimbursement agreements, and municipal payback agreements.

Features include the ability to review all specific development projects and corresponding costs, view all of the contracts making up a specific construction project, and see detailed invoice or draw information on a contract-by-contract basis. Clients purchase a monthly licensing agreement for $300 per month per development. Discounted pricing is available for multiple projects. For information, visit www.dpfg.com.—*D.D.*



Enhanced Support

Sage Chief Architect now offers Support and Software Assurance (SSA) on an annual basis for $395, with a 50 percent discount on subsequent licenses. Benefits include priority access to premium technical support via telephone and e-mail; free software updates and upgrades distributed electronically; access to online video training series with over 40 hours of how-to training videos; and a 25 percent discount on all online and classroom training seminars. For more details, visit www.chiefarchitect.com.

New Platform

BuildLinks' version 6.0 is a completely new platform, not an upgrade, and will go into beta in April. The software is targeted at builders in the 150-plus homes per year category and comprehensively addresses scheduling, performance and profitability metrics, CRM, and other critical aspects from groundbreaking through warranty service. Pricing will vary and will be subject to term of commitment and volume. Learn more at www.buildlinks.com.

DO YOU HAVE A TECH STORY?

E-MAIL DENISE DERSIN AT: **ddersin@hanleywood.com**

NAHB BRIEFS

Free Money

The $787 billion economic stimulus package signed into law on Feb. 17 by President Barack Obama contains elements that the NAHB believes will



bolster housing and the economy. Among the most beneficial provisions is an $8,000 first-time home buyer tax credit for qualified home purchases in 2009 that does not have to be repaid and is fully refundable. That credit will remain in effect until Dec. 1, 2009 so that consumers can use it during the critical summer and fall home buying months. Also, housing finance agencies can help buyers at closing by advancing the credit amount as a loan using tax-exempt bond proceeds.

Trouble Spreads

Unfortunately for builders, many of whom have decided to branch out into remodeling work in an effort to keep cash coming in as new-home sales have all but stopped, the residential remodeling market declined further during the final quarter of 2008, ▶

MATT WOOD

NATIONAL BEAT

NEWS FROM HOUSING'S GROUND ZERO ■ EDITED BY CLAIRE KOLTKO



FROM THE CHAIRMAN

Make History

Let your voice be heard on Capitol Hill at the 2009 Legislative Conference.

One of the best things about a member-driven association like the NAHB is that it provides everyone throughout the federation with opportunities to participate in the political process.

Whether it's a meeting with the local city council or an appointment on Capitol Hill with one of the most influential members of Congress, anyone in our federation can be a part of the NAHB's efforts to impress upon lawmakers at all levels of government that housing must be a key element in the nation's economic recovery efforts.

Many members participate in our annual Legislative Conference, meeting with their senators and representatives and serving as advocates for the housing industry. Their efforts on Capitol Hill are invaluable to the NAHB and our industry, and their commitment and hard work have contributed greatly to our reputation as one of the most effective groups in Washington. The members who participate in the Legislative Conference are truly the backbone of our advocacy efforts, and there's no way to thank them enough for their contributions.



JOE ROBSON
CHAIRMAN OF THE BOARD, NAHB
WASHINGTON, D.C.

But there's a lot of truth in the old saying that "there is strength in numbers," and in today's struggling housing market and turbulent economy, we need all the numbers we can get. *(see page 56)*

If you have never participated in one of our Legislative Conferences or haven't participated recently, please consider joining us this year. We need you like never before and would be very pleased to have you in our ranks as we take housing's concerns to Capitol Hill.

Our annual Legislative Conference is scheduled for March 24, and unlike recent years, it will be held separate from the spring Board of Directors Meeting. This schedule change brings members to Washington early on in the 111th Congress and will provide a great opportunity for us to meet with lawmakers and discuss the state of the housing market and the economy and what it will take to move forward.

In particular, we will be discussing legislative provisions and policies that will help stabilize the housing market, reduce foreclosures, and restore confidence in the credit markets. And we will be emphasizing that housing should be a priority in any economic stimulus measures that are considered.

On the day of the conference, the NAHB staff will brief participants on these and other key issues. Then the bulk of the day will be spent in individual meetings with members of Congress and their staffs. Following these discussions, the NAHB's grassroots advocates will meet with staff for a debriefing.

There's no doubt that when the grassroots speak, Congress listens. I'm hoping that on March 24, the NAHB speaks with its loudest voice yet and makes an indelible impression on Capitol Hill. Whether it's your first Legislative Conference or your 20th, I'm looking forward to seeing you on March 24. We have a lot to accomplish.

For more information about the NAHB's Legislative Conference, visit www.NAHB.org/legcon or contact Molly Murray at 800-368-5242, ext. 8282 or mmurray@nahb.com.

Even if you cannot get to Washington to participate in the Legislative Conference, you can still contribute to the effort by meeting with your senators and representatives when Congress recesses and lawmakers return home. Please contact Molly Murray for more information. **B**

THE NAHB RESEARCH CENTER CORNER

The Green Standard

The National Green Building Standard has received ANSI approval.

The nation's first consensus-driven standard for residential green building has been approved by the American National Standards Institute (ANSI). The ICC 700-2008 National Green Building Standard (NGBS) provides a flexible and robust third-party rating system for residential green project certification, which will be used for the NAHB National Green Building Program (NAHB Green).

"Builders and home buyers who have been confused by the many characterizations of green building in the marketplace now have clear, flexible, bona fide criteria defined under the NGBS," says Michael Luzier, president of the NAHB Research Center. "Under the standard, there are options for bronze, silver, gold, or emerald levels of certification that provide builders with the flexibility to choose the certification level appropriate for their market and their customers."

As an ANSI-approved standards writing organization, the Research Center played a pivotal role in the development process for the standard. Prior to approval of the standard, the Center's green home certification was based on the NAHB Model Green Home Building Guidelines, which applied only to new single-family homes. With the new option of certification to the standard, developments, multifamily dwellings, remodeling projects, and additions can also receive National Green Building certification from the Research Center.

Using the interactive Green Scoring Tool available on the NAHB Green Web site, builders, designers, remodelers, and home buyers can compile information about the practices and products that make a home green. The tool specifies points that are awarded per the criteria of either the guidelines (lot design, resource efficiency, energy efficiency, water efficiency, indoor environmental quality, homeowner education, and global impact) or the standard (lot design, preparation, and development; resource efficiency; energy efficiency; water efficiency; indoor environmental quality; and operation, maintenance, and building owner education).

Additional information about the National Green Building Program including the Green Scoring Tool, verification, and green project certification is available from www.nahbgreen.org or from the National Green Building Hotline at 877-NAHB-GRN (877-624-2476).

NAHB BRIEFS

according to the latest NAHB Remodeling Market Index (RMI).



The current market conditions indicator slid to 27.7, from 33.5 in the previous quarter. Future expectations of remodeling work plummeted to 19.6, from 27.7 in the third quarter. Both indices descended to historic lows since the start of the RMI in 2001.

Seeing Green

The NAHB Green network almost tripled in size when the NAHB National Green Building Program welcomed 35 new state and local HBAs and their green certification and education programs into the network in February. The new affiliates include long-standing green building programs such as Build Green of King and Snohomish counties in Washington, which has certified more than 13,000 homes since its founding in 1997, and new programs such as the green council formed by the Carbon Builders Association in Northeastern Pennsylvania.

The Clampdown

As banks continue to tighten financing, builders feel the pinch.

THE LOCK-UP OF FINANCIAL MARKETS THAT HIT WITH A VENgeance last fall prompted a range of innovative policy responses by the Federal Reserve, the Treasury, Congress, and the White House. These efforts have shown some success, particularly in interbank and short-term securities markets, and huge quality spreads have narrowed modestly in some components of longer-term private securities markets.

But precious little success has been seen in the U.S. banking system, despite large capital injections by the Treasury under the Troubled Asset Relief Plan (TARP) as well as massive injections of reserves by the Federal Reserve into the banking system through both traditional and unconventional channels.

The banking system is treating outstanding loans rather harshly and is displaying dogged resistance to making new loans to businesses and households, despite the policy prodding. The clampdown on bank lending is dreadful news to the U.S. housing industry, since most builders rely exclusively on banks for loans to acquire and develop land and to construct homes (the AD&C credit markets).

A recent NAHB survey documents deepening problems encountered by builders in their dealings with banks, and a Federal Reserve survey for the same period of time documents the toughening stance of bank lending officers. The signals from the demand and supply sides of the AD&C markets are deeply troubling, and the implications for the strength of the eventual housing recovery are hardly reassuring.

NAHB SURVEYS

Since last May, the NAHB has been conducting large bimonthly surveys of builders about their experiences in the AD&C credit markets, and our most recent readings were taken in January. In a nutshell, we've seen a progressive tightening of lending terms and standards for both outstanding credits and prospective new loans.

In January, virtually no survey respondents said that the availability of new AD&C loans had improved in recent months, and a large majority said that availability had gotten worse for all types of AD&C loans. Those citing worsening availability most commonly cited lower allowable loan-to-value or loan-to-cost ratios, and as many as 75 percent said that lenders simply were not making any new loans.

As in previous surveys, a substantial proportion of respondents said that lenders had been tightening terms or conditions on outstanding AD&C loans prior to maturity. The most common form of tightening was requiring partial paydown based on reappraisal, followed by demands for additional assets as collateral.



We asked builders about reasons given by lenders for clamping down on outstanding or new AD&C loans. We heard most often about demands from lenders' boards of directors, mandates from regulators, regulatory or accounting rules, and lenders' concerns about loan performance.

FEDERAL RESERVE SURVEYS

The Fed's most recent quarterly survey of senior bank loan officers, conducted in January, showed ongoing tightening of lending practices and policies for virtually all types of loans to households and businesses late last year.

The Fed's surveys ask banks specifically about commercial real estate loans, a category that includes residential land development and construction loans. Nearly 80 percent of banks said they had tightened standards for approving applications for such loans during the final quarter of 2008, and no bank had eased standards. Tightening took the form of lower loan sizes, lower loan-to-value ratios, shorter maturities, stronger requirements for take-out financing, higher debt-service coverage ratios, and wider spreads of loan rates over banks' cost of funds. A lot of banks also reported an increase in use of interest-rate floors in floating-rate arrangements.

POLICY ISSUES

The NAHB is working with the FDIC to improve the treatment of performing AD&C loans on the books of banks the agency has taken over, and we are urging all federal regulators to avoid supervisory overkill regarding outstanding and new housing production loans.

DAVID CROWE
Chief Economist
NAHB
Washington, D.C.
e-mail: dcrowe@nahb.com



Left to right: Kevin Estes, president and CEO, Estes Builders; Helen Dragas, president and CEO, The Dragas Cos.; and Bob Youngentob, president, EYA

AMERICA'S BEST BUILDERS 2009

PHOTOS: FAR LEFT: ANDY REYNOLDS; MIDDLE AND RIGHT: TINA WILLIAMS



PRACTICE MAKES **PERFECT**

Attention to process, product, and performance lead to success for 2009's winning builders.

BY PAT CURRY AND NIGEL F. MAYNARD

What does it mean in today's economy to be selected America's Best Builder? Cynics might say that any builder who can keep the doors open deserves the title. But that's far from the truth. The three builders selected this year—The Dragas Cos. in Virginia Beach, Va.; EYA in Bethesda, Md.; and Estes Builders in Sequim, Wash.—earned the recognition through laser-like attention to their business operations, extraordinary discipline when others around them were grabbing at quick fixes, and an unwavering focus on their target buyers.

The results have been enviable.

For The Dragas Cos., financial discipline—the company has no debt—has given it the ability to garner the lion's share of its markets and to seize opportunities that others had to bypass because of heavy loan repayment obligations.

Two-time America's Best Builder (ABB) winner EYA has recorded more than $1 billion in sales over the past 16 years. At the same time, it has established itself as a champion of architecture that creates cohesive urban neighborhoods.

Estes Builders has turned its passion for continuous improvement—it is Washington state's first and only National Housing Quality Certified builder—into a well-deserved local reputation for attention to detail. And while its closings fell short of expectations in 2008, it has sufficient cash reserves to be able to expand into two new markets in 2009.

Together, the 2009 America's Best Builder winners exemplify the fact that the skills required to run a profitable home building business in a challenging economy extend far beyond the construction process. There are lessons to be learned from the practices that they've perfected.

AMERICA'S BEST BUILDERS 2009

A WELL-RUN MACHINE

Forty years of dedication to conservative fiscal policies fuels astronomic results.

BY PAT CURRY

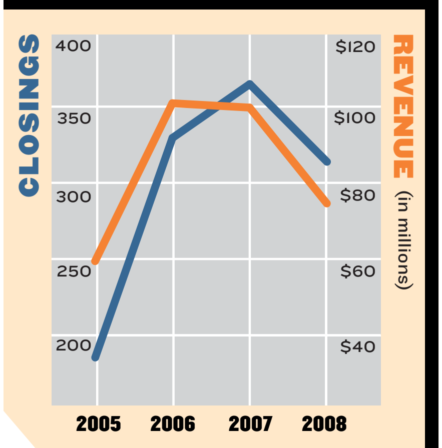


ON TARGET: The Dragas Cos. focuses on first-time home buyers.

THE DRAGAS COS.

President and CEO: Helen E. Dragas
CFO: Robert C. Makin
COO: John Buckley III
Vice President of Design: Sue Plaster
Company Focus: Affordable homes for first-time buyers, in high-visibility locations
Employees: 67
Year Founded: 1968
Web site: www.dragas.com
Notable: The company has been successful through good markets and bad by closely adhering to extremely conservative fiscal policies, as well as maintaining its focus on first-time buyers.

FINANCIAL PERFORMANCE



Any business that adheres to the level of discipline that guides The Dragas Cos. must have an interesting history. Maybe there's a long-past corporate failure that produced a resolution for increased attention to detail or an owner's career in the military that translated into an equally tight-run corporate ship. For the Virginia Beach, Va.–based builder, it's a family history of wartime deprivation and years of scraping to get by.

Founder George Dragas, the son of Greek immigrants, was a young boy when his mother took her children to Greece to visit relatives. While they were there, World War II broke out. The family barely survived the Nazi occupation. Upon returning to the U.S., George learned that his father had died in an accident at work, leaving his mother to work as a seamstress in a factory to raise four children.

"They faced that kind of do-or-die situation," says George's daughter Helen Dragas, who cut her teeth in the business at 13 conducting customer service interviews. She now serves as the company's president and CEO. "It's that gut level, 'anything can happen' mindset." It instilled in George—and now Helen—extraordinary prudence in an industry in which major decisions often are made without solid data to support them. "My father worked hard to build the company," Dragas says. "He didn't want to put himself at risk of losing it."

Risk aversion may seem like a contradiction for a builder, but it's part of an ultraconservative financial philosophy that has guided The Dragas Cos. since it opened in 1968. It has virtually no debt—generally, less than 10 percent of equity. The company experienced a 686 percent increase in revenue between 2001 and 2007. In addition, Dragas produced the highest number of closings in its 40-year history in 2007; both closings and revenue were more than double that of the 2004 peak market year.

America's Best Builder judge Vernon McKown, president of Norman, Okla.–based Ideal Homes and a 2007 America's Best Builder winner, is clearly awestruck by the company's fiscal and operational chops.

"Their company embodies a well-run machine," McKown says. "Every piece complements the other. It all culminates in the final results. ... Here, I find a new hero in Virginia Beach."

Having minimal debt gives the company flexibility that most home builders only dream of achieving. It means the builder isn't hampered by the operating constraints imposed by lenders, such as restrictions on starts or the reappraisal of land.

"It does allow us to survive the really tough cycles this industry goes through unfailingly over time," Dragas says. "We may not have the highest return on equity, but we will be here to have returns through thick and thin. There's a personal side to it as well. I think we have always slept better at night having a pretty clean balance sheet."

It also allows Dragas to seize opportunities and to react quickly to market changes. She remembers one parcel—a five-acre bayfront tract that had been listed for more than $4 million—that the company bought at a foreclosure auction for $1 million.

"There was only one other bidder there, and he was not in a cash position to go higher," Dragas says. "We built a beautiful condominium community that was coming out of the ground just as the market turned."

HEADS FOR HARD FACTS

In addition, the company has maintained an unwavering commitment to several key

STEVE MORRISETTE



Left to right: John Buckley III, COO; Helen E. Dragas, president and CEO; Robert C. Makin, CFO

TINA WILLIAMS

operational practices, including extensive market research, strict land acquisition guidelines, and community involvement.

For decades, Dragas has used the services of well-established consultants to stay on top—and ahead—of national trends in markets, products, and best practices. Acting on the information that's gathered, however, "often requires a level of discipline that can be excruciatingly difficult to exercise," the company wrote in its America's Best Builder entry package. "We make decisions based on hard facts, not market frenzy, speculation, or gut instinct. As a result, we rarely make mistakes in land acquisition, rezoning requests, or product design, construction, and marketing."

That research has kept it squarely focused on building moderately priced homes for first-time buyers, a market that is less subject to the volatile swings in real estate and is constantly replenished as a new generation comes of age. The result: Dragas consistently leads its market in the number of homes sold. In 2006, in Virginia Beach, it sold 40 percent more homes than its next closest competitor. In 2007, that was up to 54 percent.

With ready access to cash to snap up the lots that so many builders are anxious to unload, The Dragas Cos.' disciplined approach to land buying is invaluable. Dragas says she stays in the geographic areas the company knows best as it relates to customers, economics, local politics, zoning viability, and the nuances of the housing market. It focuses on highly desirable infill sites in terms of population and job growth—"all the demographic factors," she *(see page 64)*

says—and high visibility. Historically, more than 20 percent of its sales traffic has come from people driving past its sites. Another benefit is that Dragas can leverage existing infrastructure instead of draining cash reserves or borrowing to improve raw land.

When the market was hot, it was a tough policy to follow, Dragas admits, even though it kept the company from buying over-priced land.

"When we were in the middle of the building frenzy, competitors were gobbling it up at unheard-of prices," she says. "You question yourself. 'What do they know that I don't know? Am I being too restrictive? Where am I missing this?' "

Ultimately, though, it kept the company from getting stuck with parcels that other builders bought at inflated prices—and now can't sell at any price.

"We looked like idiots in the boom times when everyone was rocking and rolling," Dragas says. "We may look like geniuses now."

A SEAMLESS PROCESS

Joyce Witt, senior vice president of administration and condominium property management, says that from the company's early days, it has strived to keep its critical processes in-house, from land acquisition and development through warranty service. "Even when ... there were three people, we did our own land, our own permits, our sales, we even did our own mortgages," she says. "We all operated out of one room. We didn't take vacations or lunch breaks, but we got it done. Now, with over 60 employees, we're doing the same thing, but in a much more technical way."

Besides contributing to the bottom line, it's also helped Dragas differentiate from its competition. "We're the only company that provides the entire experience for our customers," says COO John "Buck" Buckley. The policy also offers yet another measure of control for strategic planning.

"We're the ones acquiring the land and doing the entitlements," Buckley says. "We're not subject to the whims of other companies we're working with. As Helen sets her sights five years down the road, it allows us to do that unencumbered by the agendas other builders have to work with."





SITE SPECIFIC: Strict land-buying practices keep The Dragas Cos.' properties in high-traffic corridors.

Having minimal debt and healthy retained earnings gave The Dragas Cos. the ability to do something very few builders have done lately. Not only has it not cut its marketing budget, it actually increased it by 20 percent and added a staff member to focus its efforts. Marketing director Donna Ponti works closely with Sally Horvath, vice president of internal operations, who oversees the sales department.

"We know that every sale will be more difficult to get now," Dragas says. "We want to keep our presence high in a down market."

The company leveraged its 40th anniversary in 2008 to redesign its logo and bring consistency to the look of its marketing materials. Ponti also used the anniversary as a launching point to expand Dragas' advertising from strictly print into other media. "While we do have a plan of attack, we adjust to whatever feedback we're getting from our agents," Ponti says. "That's another advantage of vertical integration."

CONTROLLING ITS DESTINY

Community involvement is a strong component of The Dragas Cos.' corporate culture; the company participates through both charitable contributions and local activism. It takes "very proactive efforts to favorably influence local market conditions," the company wrote in its entry, with longstanding membership in business organizations that impact employment, public policy, and the region's economy.

The company also is very active politically, and members of Dragas' management team serve on local and state boards for transportation, higher education, and economic development. A prime example is the effort to retain the Naval Air Station at Oceana in Virginia Beach, the city's largest employer, when it was placed on the potential closure list by Base Realignment and Closure. A Dragas executive led a group of business leaders and citizens who lobbied for base retention, and he worked with local and state officials to help develop a strategy to defend the base from closure. Ultimately, the base stayed open.

Looking ahead, Dragas says that in 2009, the company will work to capitalize on its strengths. "I expect we'll be able to maintain or increase our market share," she says. "I think it will continue to be a challenging environment for the industry as a whole, but I think we're well positioned to come out of it in good shape."

Specifically, she says that for the first time, the company is considering buying existing multifamily apartments to rehab and reposition as condominiums.

"I see opportunity there," she says. "I think some pension funds or REITs will come under pressure. Doing something like that may help us drive a little further down in terms of the prices we can offer in workforce housing." *(see page 66)*

PHOTOS: STEVE MORRISETTE

AMERICA'S BEST BUILDERS 2009

URBAN PIONEERS

EYA was founded to do one thing—dense, urban infill housing. Today, few builders do it better.

BY NIGEL F. MAYNARD

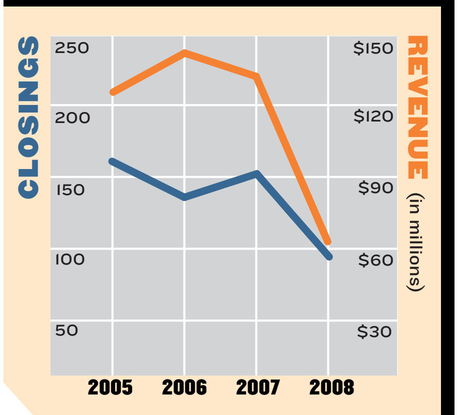


TRUE GRIT: EYA excels at building homes with classic detailing.

EYA

Chairman: Terry Eakin
President: Bob Youngentob
CFO: Frank Connors
COO: Andy Warren
Company Focus: Mixed-used, mixed-income urban infill development
Employees: 60
Year Founded: 1992
Web site: www.eya.com
Notable: Started in suburban edge cities, but now develops dense, mixed-used urban infill projects near transit and existing neighborhoods. As a commitment to green building, it recently began construction on what is targeted to become the nation's largest LEED for Homes residential for-sale neighborhood. One of the first builders in the nation to use Latista inspection software.

FINANCIAL PERFORMANCE



If you've been previously named America's Best Builder, it's a good bet your company is doing something right. But you know you're special if you win the honor twice in eight years. This year, Bethesda, Md.–based Eakin Youngentob (EYA) finds itself in that enviable position.

EYA is a moderately sized builder/developer specializing in mixed-used and mixed-income infill developments in and around the Washington, D.C., area. A 16-year-old company, it has developed a reputation for architecturally driven, progressive developments that appeal to urban-lovers. "Our general market is every type of urban lifestyle–driven buyer you can think of," says president Bob Youngentob. "It's everything from Gen X and Gen Y to professionals, singles, couples, and empty-nesters."

The builder's projects are relatively small, 98 percent attached, and thoughtfully conceived and designed. Exteriors mostly skew traditional, but interiors feature contemporary, open plans. And the design is specific to the neighborhood.

"We don't design a catalog of a bunch of models and take a suburban land plan and start plopping them down," says Greg R. Schron, vice president of architecture. "They're all contextual with the existing neighborhood and existing vernacular," Schron continues. "We spend a lot of time and energy making sure we respect the existing architecture in the neighborhood."

As a testament to its success, the builder has achieved above-average returns on over $1 billion in sales for the past 16 years.

SMART GROWTH

Urban infill was the focus from the moment chairman Terry Eakin and Youngentob started the company in 1992. Having previously worked on similar projects at local developer The Holladay Corp., the two men recognized an untapped market for urban projects and saw growth for the future.

"We felt that if we really focused our energy on this one particular segment, there was a tremendous number of people, both young professionals and empty-nesters, who aspire to the lifestyle," Youngentob says. Other builders ignored this niche and EYA benefited. "Nobody was really trying to recreate neighborhoods or go in on a large scale and take two or three city blocks and rebuild those neighborhoods," Youngentob explains.

Today, EYA's project locations contribute directly to its success. Its motto, "Life within Walking Distance," sums up its philosophy. "We wanted to do one thing well, and we've kept virtually the same focus for our company since the day we opened our doors," Eakin says.

But not all of EYA's infill projects are in typical downtown urban locations. The company built its brand doing market-rate projects in sought-after Washington suburban edge cities such as Alexandria, Va., but its strategy has evolved.

"We've also done really well going into areas that have been under-supplied with new housing alternatives or have had some challenges," says COO Andy Warren. Such areas include the now-burgeoning U Street Corridor in Washington, downtown Silver Spring, Md., and the Hyattsville Arts District in Prince George's County, Md.

Since the 2000 ABB win, EYA has

COURTESY EYA



Left to right: Frank Connors, CFO; Bob Youngentob, president; Terry Eakin, chairman; and Andy Warren, COO

TINA WILLIAMS

reinvented itself, adopting new systems and processes along the way. "We're a different company from an operational standpoint [than we were back then], but we have the same philosophy and core values," says Eakin. One of these core values is the emphasis of long-term relationships. Believing that they are vital to the company's success, EYA uses the same architect, lender, equity investors, subs, and attorney on all of its projects. And operations continue to evolve.

The company started identifying key trades and subs to join its Subcontractor Alliance program, under which subs agree to provide timely service and high quality in return for consistent workload, prompt payment, and priority bid review. The program is essentially a recruitment tool for quality subs but also a way to keep the good subs it has rather than lose them to other jobs in the suburbs. It also means the builder gets safe, reliable workers that deliver high-quality work.

Recently, EYA has altered the construction of its houses. Because its strategy of building near existing infrastructure is already sustainable, the company decided it was time to increase the energy efficiency of the homes as well. "The commitment we've decided to make over the past six months—starting with this project we have going on down in the Capital Quarter [near the new Washington Nationals Baseball Stadium]—is to embrace Energy Star and LEED for Homes on that and all future projects," Warren says. *(see page 68)*





SURFACE APPEAL: EYA's projects feature an eclectic mix of materials such as stucco, wood windows, fiber cement, corrugated metal siding, and synthetic slate.

Older projects used high-efficiency HVAC systems, low-E windows, and upgraded roof insulation, Schron says, but now the builder is upgrading a variety of energy-related features and will be performing blower door, duct leakage, and thermal bypass inspections.

"We have aggressively increased the scope of our insulation contractor to provide all kinds of air-sealing measures on the exterior building envelope," Schron says.

SYSTEMS ANALYSTS

Another improvement to EYA's systems is an in-house training program for project managers, superintendents, and subs to focus on areas of the home that are prone to defects. It's especially important to offer this training, the company says, because it builds unique projects in tricky locations, and training ensures the work is executed correctly.

The company also is using in-line, mobile inspection software by Latista to improve communication among subs, site superintendents, and the office. Conducted five times throughout the construction of each home, these inspections occur at foundation, pre-mechanical, pre-close-in, building envelope, and final close.

"Latista has standardized the way we want to evaluate the house at particular points," says Anthony Procaccini, construction manager of the Capitol Quarter project. "Regardless of a worker's level of experience, we're able to show them what we need them to look for at various points."

Latista employs handheld tablets, digital cameras, and computers to relay messages and inspection information, so that issues can be addressed within 48 hours. "To the extent that we can systematize how we build," says John Fahey, vice president of construction and warranty services, "it takes out the goof factor, so to speak, and really makes [our subs] organized and methodical on building the homes."

This extremely serious approach to construction has made EYA that much better, the company believes, and helps the builder deliver defect-free homes. And the company makes sure it relays this message to home buyers at the various pre-construction, pre-drywall, and pre-settlement orientation meetings the production team holds. The warranty team also meets with buyers three times, during pre-settlement orientation, at the 90-day walk, and at a one-year walk. "It's just so important that home buyers know we're building the home to the highest level of quality we can achieve," Fahey says.

The builder wanted to quantify whether or not its changes were working, so it hired the research and consulting firm Woodland & O'Brien to help gauge the customer satisfaction program and its buyers' "willingness to refer." Tied to EYA's annual employee incentive compensation, the customer satisfaction metric is an extremely important part of the company's operation and culture. EYA says it normally achieves a 92 percent to 95 percent willingness to refer from buyers but has been running 100 percent in the past 18 months. This proves the changes are working, the company says.

EYA's latest drive to be better happened around its 10th anniversary when the company launched E^2, a program that set goals to raise customer satisfaction to 92 percent willingness to refer (from 82 percent); improve employee satisfaction and productivity; identify quality standards and establish processes to meet them; and reduce construction- and service-related costs by $2,000 per home.

The program has been very successful, Warren says. "Since 2005 we have made significant improvements in construction cycle time, we save thousands on interest and carrying costs, and warranty costs are dropping," he explains. The company also is saving more money per house, he adds.

Going forward, EYA will be doing bigger projects and more mixed use but with a steady focus on attached townhomes. "We want to grow the organization modestly, but we don't want to chase growth for growth's sake," Warren explains. "We know what we do well, and we also like to be hands on. If [the company] got too big, it would be hard for us to stay hands on." *(see page 70)*

PHOTOS: COURTESY EYA



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AMERICA'S BEST BUILDERS 2009

ALL SYSTEMS GO

A National Housing Quality Award winner finds success by always looking for ways to improve.

BY PAT CURRY

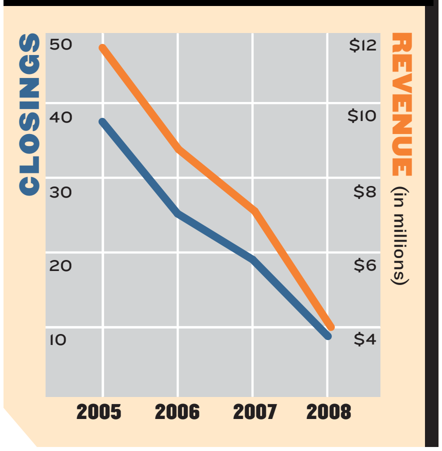


QUALITY COUNTS: Estes has built a brand on its quality awards.

ESTES BUILDERS

President and CEO: Kevin Estes
CFO and Controller: Jo Anne Estes
Quality Manager: Patricia Troxler
Company Focus: Systems-driven company that builds both production and custom homes, primarily for active adults drawn to the market, which is a retirement destination
Employees: 9
Year Founded: 1990
Web site: www.estesbuilders.com
Notable: Estes Builders has delivered 99 percent of its homes with zero known defects since 2002. The company is the first and only National Housing Quality Award–certified builder in the state of Washington.

FINANCIAL PERFORMANCE



Kevin Estes, a second-generation builder, started Estes Builders with his wife, Jo Anne, in 1990 in Sequim, Wash. Even then, with just the pair of them juggling all the roles, the focus was on systems and continuous improvement.

"Being a system-driven company allows us to keep our promises," says Jo Anne, who is the company's controller. "When we tell a homeowner it will take six months to build their home, we want to make sure it takes six months. Our systems are checklists and touch points and forms, so we know when we have a walk-through with a homeowner [that] everything on their plans is there and in the right place, and we get paid on time. We do what we said we were going to do. ... When we find something that is not working, we go to work on fixing it."

Today, the company is a two-pronged operation, offering both production and custom homes, primarily to out-of-town, active adult buyers looking to retire to Washington state's Olympic Peninsula. Even though Estes Builders is only a nine-person operation, systems help the company implement "many of the recognized best practices of large-volume builders," it wrote in its America's Best Builder entry.

"We're a really diligent, continuous improvement company," Kevin says. "We're not a whiz-bang company, but we tend to execute pretty well. Like the tortoise and the hare, we just get a little better every day."

It's paid off handsomely for the company. The only National Housing Quality–certified builder in the state of Washington, Estes Builders also is a two-time winner of the National Housing Quality (NHQ) Award, taking silver in 2005 and gold in 2007. It legitimately boasts that it has delivered 99 percent of its homes since 2002 with zero known defects and markets itself as the Olympic Peninsula's award-winning builder.

THE POWER OF PARTICIPATION

One of the powerful lessons Kevin has learned from the pursuit of continuous improvement is that a very small adjustment can yield tremendous results. At his regular meetings with trade partners, for example, Estes has them sit in the order in which they work on his houses.

"It gets them talking," he says. "It's amazing what just doing that does."

Even though he knows that he's going up against companies that dwarf him in revenues and resources, Estes says it's well worth it to enter such competitions as America's Best Builder and NHQ. They give the company an objective, external measurement tool.

"It's intimidating, for sure," he says of the application process, which requires collecting hundreds of pages of documentation. "At first you feel like you're going to get flayed, but you just buck up and do it. As a small builder, you don't have a board of directors. You don't know how well you're doing until you send it to someone and see where we are. I use it for that."

He also takes full advantage of the benefits of winning such prestigious awards, including the contacts he's made with other winners and judges.

"If you have any kind of success, you start rubbing elbows with people who are passionate about building and they're in some of the best companies," he says.

JOAN CONSANI

ESTES BUILDERS

Sequim, Wash.
19 units



Left to right: Jo Anne Estes, CFO and controller; Kevin Estes, president and CEO; and Patricia Troxler, quality manager

ANDY REYNOLDS

"Typically, they're more than willing to share information. I have a network of people who are high achievers. They've either done it and been successful at it, or done it and say, 'Don't do it.' "

SIGHTS SET ON SALES

While the NHQ program focuses squarely on construction systems and processes, America's Best Builder looks at the breadth of a builder's operations. In 2008, the Estes leadership team identified sales and marketing as one of its strategic initiatives.

"That's where the rubber hits the road," says Jo Anne. "We believe every person is a salesperson. It doesn't matter if you sit where I sit and don't see people who come through the front door, it's all our jobs to convey a positive impression of Estes Builders. If we meet people in the grocery store or on the street, we can talk about Estes Builders. We've trained our trades. ... It can be done, but it is a systemized process. It gets our brains thinking, coming up with something out of the box that not everyone is doing."

This year's marketing theme is that every single lead that can be generated is precious, says Craig Stevenson, the company's custom home manager. The company shifted away from display ads and blanket marketing to more targeted tools, such as direct mail and online search campaigns—a critical step for builders whose buyers typically live outside the area. On-site events and local ads are a waste of money for Estes Builders. It needs to wow its prospects in cyberspace.

"Where we've been really *(see page 72)*

good is seamless integration between online marketing and the sales department," Stevenson says. "Most builders have a plan for what they want to have happen when prospects come into the model. They don't have a similar protocol for online leads. ... We're seeing nimble and immediate response to online leads."

He's also seeing big results from two other sales initiatives. For the first time in the company's history, Estes Builders opened a sales center in 2008 in Sunland North, one of its production home neighborhoods. While Kevin would prefer to have sales handled in-house, the company's volume doesn't justify it yet. Instead, he presented his proposal to the area's top five real estate brokers. Today, his sales center has three dedicated agents who provide daily coverage. Estes Builders provided them with training and owns all the leads.

For its custom home division, Stevenson has been hard at work on building relationships with the people in the area, such as Realtors, bankers, engineers, property managers, and septic tank installers, who are influential with land buyers who will be looking for a builder.

Those influencers get a personal tour of the custom homes they helped deliver—a treat for people who rarely get to see the finished product, Kevin says. "We want to be the first name that comes out of their mouths when a customer asks about a builder," he says. "When they are there, we are asking for referrals."

Stevenson has conducted in-person and online training sessions for real estate agents, both on what the agents' customers need to know about buying land to build a house on and various aspects of construction that will help the agents



be more effective in their business.

"The modern electronic marketing is very effective, but what's almost as effective is good, old-fashioned personal marketing," Stevenson says. "It's not only inexpensive, it's also super-effective, especially when it's in conjunction with electronic marketing."

When the electronic marketing leads to a prospective buyer's visit in search of their dream home for retirement, Estes Builders educates them about the benefits of building a custom home, as opposed to taking advantage of what buyers perceive as tremendous savings in existing homes.

"We're selling against the perception that there are these screaming deals out there," Kevin says. "We decided to let the buyers be aware of the distressed properties and pick them apart. ... I'm thankful we worked really hard a long time ago on delivering a great home on time and building a great reputation because we're being scrutinized now more than ever."

EYE TOWARD THE FUTURE

Kevin and Jo Anne Estes also have taken a very systematic approach to succession planning. With a long-term goal of playing a less-active role in the company, they've identified a management team and are each currently mentoring the people who will someday replace them.

But that's not in the plans for 2009. This year, the company is expanding into two new markets, each within an hour's drive of Sequim. The decision came, in part, because the company can use 90 percent of its core trade partners and current personnel in the new markets.

"In a booming market, you have to hire new people," Kevin says. "In this scenario, we can just focus on how the new market works. ... It's definitely a bootstrap operation, but it's cost effective. As the market returns to normal, we'll have the ability to create real divisions in those areas. We'll go get the business first, build some homes, and then go get the overhead. We're pretty pumped about it."

The expansion will be a step toward his goal of building 50 houses a year. That is a benchmark that he believes will allow his company to bring design and selections in-house, which would give it more control over the customer experience and yet another point of differentiation from the competition.

One thing is certain. When it happens, there will be a system in place to make sure everything runs the way it's supposed to, and an on-going effort to make it even better. **B**



PERSONAL TOUCH: Part of the marketing for Estes Builders is offering tours of custom homes to real estate and building pros, who rarely get to see the finished product.

PHOTOS: JOAN CONSANI

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REHABS, RETROFITS, AND RE-DOS MAY OFFER A LIFELINE TO BUILDERS IN TOUGH TIMES.

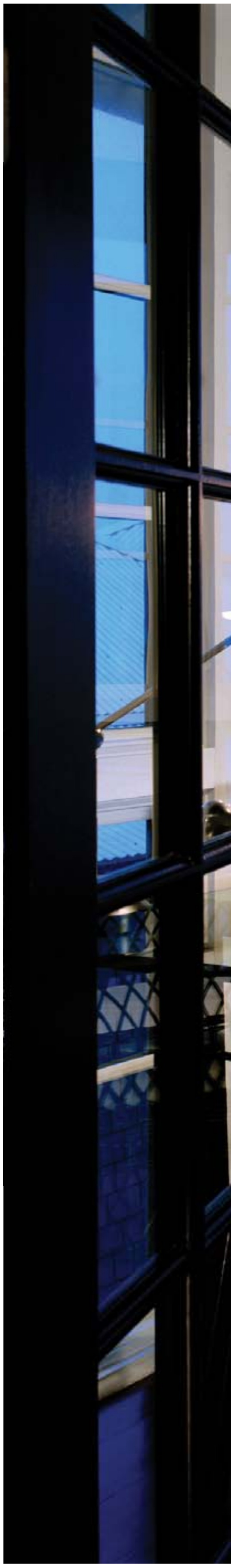
MAJOR MAKEOVERS

BY JENNY SULLIVAN

HOME BUILDERS ARE DIVERSIFYING IN EVERY WHICH WAY TO RIDE OUT the downturn, and that includes rehabs and additions. Some 44 percent of single-family builders in the latest NAHB member census reported residential remodeling as a secondary revenue stream. And while a forecast by Harvard University's Joint Center for Housing Studies indicates that remodeling spending will continue to see 12 percent declines in the second and third quarters of 2009, the renovation business is faring better than new construction. A recent survey conducted by the Web site RemodelOrMove.com found more than half (52 percent) of homeowners polled saying they were "excited" about remodeling their houses. Of those, 65 percent said they planned to hire a general contractor.

For builders, remodeling projects typically carry less risk, in that they don't require construction loans. And for homeowners who qualify for home equity loans, there are paybacks. According to the "2008–09 Cost vs. Value" report, an annual study issued by BUILDER's sister publication REMODELING, moderately priced upgrades continue to provide stable returns. While home prices fell 7 percent on average last year, the value of homeowners' investments in remodeling projects declined a lesser 3.86 percent. Many experts now anticipate that retrofits intended to make older homes greener and more energy efficient will keep this sector humming in the new economy. Plus, there are all those foreclosed properties that will need to be fixed up for resale.

Thinking about getting into the spirit of reuse? BUILDER looks at the challenges presented by three large-scale rehabs.



JACK GARDNER



STAR POWER: Once an awkward screened porch off the master bedroom, this ethereal space in a Florida beach house is now a study by day and observatory by night.



BEFORE

LIGHTEN UP: The cypress siding and metal roof were durable, but brown just wasn't its color. Changing the hue and reproportioning the windows and porches of this Florida cracker-style home made it fit to sell.

GIVE AND TAKE

This spec home in Rosemary Beach, Fla., was built well before the housing bust, and yet it sat on the market for two years with nary a nibble. Its major downfall was that the original builder had neglected to include a bathroom on the second floor—forcing anyone in the kitchen, dining room, or living room to go up or down a flight of stairs when nature called.

The house had other deficits, too, including a drab brown exterior (not so good for curb appeal), cramped porches, and puny windows with high sills that failed to take advantage of the coastal view. And the interior finishes were so dowdy they seemed to predate the house itself.

Architect Darrell Russell and builder John LaPlante saw potential, however, in this misfit, especially considering its scale and massing were already compliant with the town's stringent TND guidelines. So they bought the place as a private joint venture and set about making it lighter and airier—all within the confines of its existing footprint.

One of the first things to go was a claustrophobic interior staircase, which they opened up (with the addition of structural beams) to become part of the living room. Small windows on the ground floor were replaced with full-length glass doors to maximize views, and the existing antique pine floors were stained a richer, darker brown, allowing the white millwork and window casements to really pop.

What makes this rehab particularly notable, though, is its deft redistribution of indoor/outdoor relationships. By enclosing a corner screened porch on the second floor, for example, Russell was able to bump the kitchen's position slightly south

PROJECT: Rosemary Avenue Cottage
LOCATION: Rosemary Beach, Fla.
SIZE: 2,600 square feet
LOT SIZE: 5,445 square feet
ARCHITECT/DEVELOPER: Darrell Russell, Rosemary Beach
CONSTRUCTION MANAGER/DEVELOPER: John LaPlante, Rosemary Beach
INTERIOR DESIGNER: Kay Douglass, South of Market, Atlanta

PHOTOS: JACK GARDNER



BEFORE

STAIRWAY TO HEAVEN: Integrating open stairs into the design made the living room feel more spacious and more elegant.

and free up just enough space for that missing bath. He also enclosed an awkward porch off the third-floor master suite, converting it into a conditioned study and observatory with floor-to-ceiling glass overlooking the rooftops to the beach.

Russell then recouped those lost outdoor connections elsewhere. A new screened porch directly off the south wall lends an extra layer of architectural dimension and shading to what was previously a flat façade prone to unwanted solar gain. And the double-decker veranda out front—once so shallow and unfriendly that "a dog wouldn't even lay on it," he quips—was reproportioned and allowed to wrap corners, giving the front elevation a more graceful prominence. (Visit Builder Online to see before and after floor plans and additional photos.)

Wasting not, Russell even made clever use of odd crannies that were left inside once boilers were replaced with tankless hot water heaters. On the third floor, the switch left a perfect niche for a toilet in the reconfigured master bath. On the first floor, it freed up a space just big enough for a kiddie bunk under the stairs in the guest suite.

"My thinking was that if the owners had visitors, this suite could accommodate a couple with a small child," Russell says. "I found an old World War II porthole window from an antique dealer and put it in there for fun."

And in a market where differentiation is everything, there's something to be said for fun—and fresh. The house sold to a family with kids just 90 days after the final punch list was knocked out, and the partners turned a tidy profit.

OPEN AND CLOSE: Converting a porch off the kitchen into an adjoining breakfast area made the whole space feel bigger.



BEFORE



PRESERVE AND PROTECT

Restoring a historic home inevitably involves sprucing up its finer vintage details. But sometimes it also involves rectifying crimes that have been committed against the house over the years. This was the case with 229 Douglass, a stately Edwardian residence built around 1907 in San Francisco's Eureka Valley (now known as The Castro), which, somewhere along the line, had been crudely subdivided into stacked duplex units. When architect Joel Karr was hired to rehab it, his charge was to stitch the pieces back together and return the home to its original character—albeit with a few modernist touches thrown in for today's tastes.

This he did handily, working in tandem with builder Ewen Uttig. The exterior masonry was sandblasted and repointed; stucco was patched and repaired;

PROJECT: 229 Douglass
LOCATION: San Francisco
SIZE: 2,067 square feet (main house); 2,036 square feet (barn)
LOT SIZE: 3,125 square feet
ARCHITECT: Group 41 Architecture, San Francisco
BUILDER: Ewen Uttig, San Francisco



BEFORE



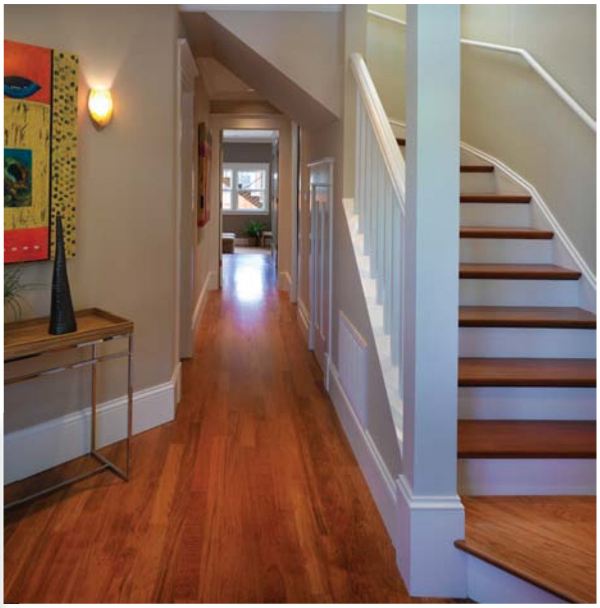
THE COLOR PURPLE: Paint color is one of the few things that's not regulated in San Francisco. A regal jewel tone offsets the home's crisp trim and Edwardian filigree.



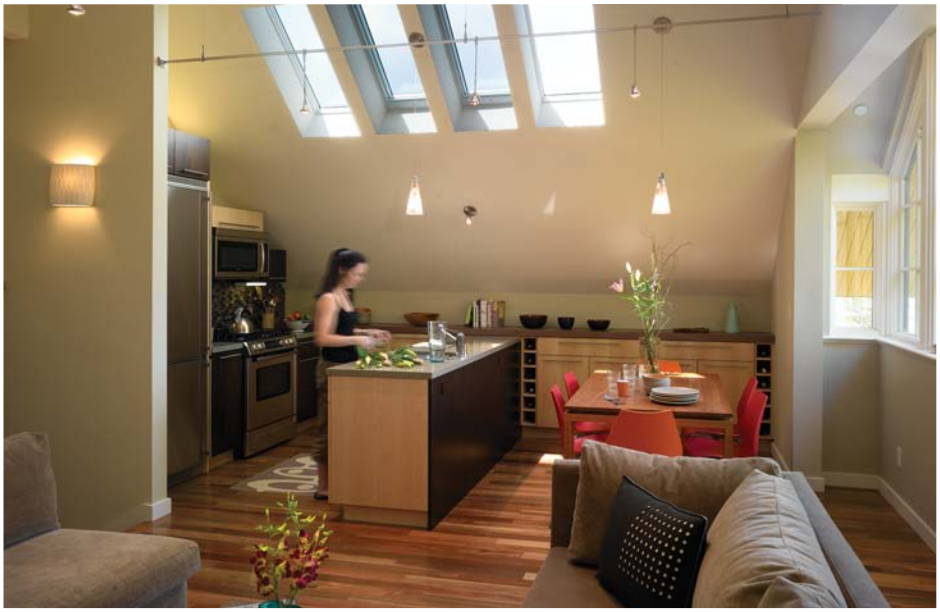
REAL DEAL: Clad in reclaimed wood planks sourced from old agricultural buildings, the replacement barn features the same roof gables, window patterns, and second-story bump-out as the original.



BEFORE



KNIT PEARL: A pretty front hall reintegrates the upper and lower floors of the main house, which had been separated.



HIP REPLACEMENT: The interior of the new barn improves on the past with space-saving built-ins and operable skylights for natural ventilation.

and the original cornice detailing—dentils and all—was painstakingly restored. Inside, antique elements such as original leaded glass windows and an arched keystone fireplace now coexist with sleek, frameless cabinets, stainless appliances, and subway tile to create a vibe that is deliciously eclectic.

"The places where we diverged from the vernacular were in kitchens and baths, which is a nod to the marketplace," Karr says. "The owners wanted something that felt fresh and modern, but also respectful of history."

The rehab also required some structural work, as reuniting the two units meant eliminating one of two front entries that had been carved into a cross-sloping site. "A portion of the first floor is now lower than it was, so you enter at a diagonal and take a step down," Karr adds. "We kept the existing foundation but had to restructure the floor."

And yet, remodeling the house is only half the story. Part two involved resurrecting a decrepit barn out back (also circa 1907), which the owners wanted to convert into a live/work unit with an art studio on the first floor and living quarters for an older parent above. This is where things really got tricky; the approvals took two years.

Plans to rehab the barn were squelched when an investigation revealed that there was no foundation under part of the structure and it was on the verge of collapse. Nevertheless, preservationists appealed a determination that it held no historic value. "In short, they wanted to restore a building that was not restorable," Karr says. A teardown permit ultimately was granted on the condition that the barn be rebuilt to precisely the same specifications as the original structure.

The new-old barn features the same gabled roof forms and window styles as its predecessor and is even clad in reclaimed board-and-batten siding taken from old barns. It clearly exudes a sense of heritage, although the inside is clean lined and contemporary, with features such as a high-efficiency heating system, operable skylights, wide plank floors, custom casework (made locally), and sliding panel doors made of eco-resin.

"Virtually nothing is standard because we had to adhere to the same odd depths, heights, and dimensions of the original structure," Karr says.

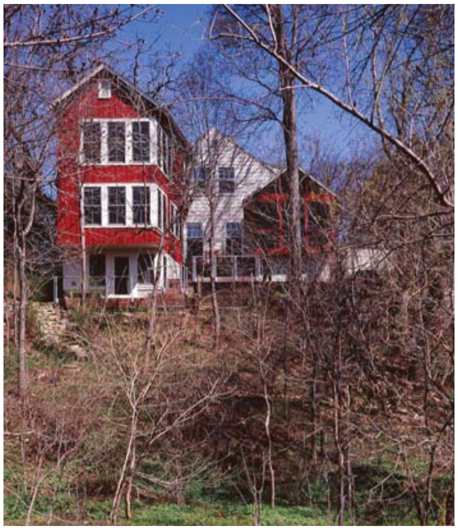
PHOTOS: KEN GUTMAKER





BEFORE

DOUBLE DOWN: With the addition to the south, the house nearly doubled in size. Its front elevation maintains a modest demeanor, while its cantilevered back strikes a more dramatic pose. Windows ganged around the southeast corner make the most of southern exposure and bucolic scenery.



CHARACTER COUNTS

Some additions clone the existing house in an attempt to appear seamless. Not this one.

When architects Christine Albertsson and Todd Hansen purchased the original gabled salt box (which had been designed and built by Minnesota architect Carl Stravs in 1923), it had no garage, no shower, and scant storage space. It also had no discernible front entry—a casualty of the lot having been subdivided in the 1950s, which had shifted its front door to the side.

On the plus side, though, it was an extremely well-built little house. And, from its perch 30 feet above Minnehaha Creek, a

PROJECT: Minnehaha Creek Addition
LOCATION: Minneapolis
SIZE: 1,240 square feet (before); 2,450 square feet (after)
LOT SIZE: 7,200 square feet
ARCHITECT: Albertsson Hansen Architecture, Minneapolis
BUILDER: Choice Wood Co., St. Louis Park, Minn.

PHOTOS: PETER BASTIANELLI-KERZE



BEFORE



ISLAND LIVING: The second floor of the addition is anchored by a 9-foot kitchen island with a sink and dishwasher, allowing anyone doing prep or clean-up work to enjoy the scenery. Its Calcutta marble top was selected because the veining matches the movement of the creek outside.

protected waterway, it had a lovely view.

The owners' first resolution was to preserve what was good, so they left the shell of the 30-foot-by-25-foot cottage intact, along with a beautiful oak tree on its west side.

What remained was a relatively small building envelope for an addition, concentrated mostly to the south. Fortunately, the incumbent structure already had a sturdy retaining wall on its downhill side that could be exploited. "We used that existing wall as part of the foundation for the addition," Albertsson explains, "which, in the end, helped save the oak tree. By using what was already there, we were able to get by with a mini-excavator during construction, causing minimal disruption to the soil."

Changes to the old house were mostly cosmetic. A fresh switch to white paint made its cedar shake siding appear less tired, and, with the addition of a crisp portico, the owners pivoted the front entry to face the street. The entry hall that now hugs the west elevation leads back to a 1,210-square-foot gabled addition—which, in contrast, is clad in barn red fiber cement with vertical cedar battens. From the outside, the residence now looks like a New England farmhouse that grew over time to become conjoined with its barn.

Inside, the old and new sections of the house do a similar dance between continuity and reinterpretation. The existing S4S millwork (a simple, cottage-style molding with no profiling) was easy enough for Hansen to replicate with a table saw and carry over into the new space. But the sand float plaster finish on the original interior walls was tougher to pull off. Not wanting to use plain sheetrock, the architects instead opted to line the walls of the addition with beadboard paneling. (For cost savings, Hansen ordered an overrun of boards he had already custom designed for a client.) The result is a texture that is different yet complementary, and no less charming. **B**



VIEW CORRIDOR: A bright, beadboard-paneled entry hall connects the old part of the house to the addition, culminating at windows overlooking the creek. The white oak floor matches the original, but with a slightly wider plank.

UPlink // VISIT WWW.BUILDERONLINE.COM/DESIGN FOR BEFORE AND AFTER FLOOR PLANS, ADDITIONAL PHOTOS, AND MORE DETAILS RELATING TO EACH PROJECT.

ASK ABOUT ENERGY STAR






EXPANDING HORIZONS

The evolving federal Energy Star program continues to add new elements that encourage energy efficiency in new and remodeled housing.



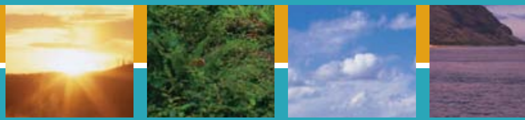


The federal Energy Star program is hardly resting on its accomplishments, which are many. After only 20 years, the Energy Star program already encompasses more than 60 product categories, effects thousands of homes and buildings, and is now a well-established national brand for energy efficiency.

In the last year alone, the EPA-DOE partnership has launched several initiatives, specifically for new homes and residential products, to keep pace with builder and buyer demand. From standards that qualify tankless water heaters to a companion brand that targets healthier indoor air quality, Energy Star continues to innovate and set the bar for energy efficiency for the housing industry. Specifically, new programs that seek to further proliferate Energy Star goals focus on emerging energy efficient technologies and products, take a step back to the design stage to help "build in" efficiencies before breaking ground, offer a comprehensive indoor air quality package that targets health-seekers, and integrate energy use into publicly funded affordable housing projects to reduce living costs for low-income households.

These efforts, detailed in the pages that follow, point to an already established and successful program that knows its work is far from done, and strives to offer a careful balance between energy efficiency, building costs and market demand.









ASK ABOUT ENERGY STAR

Climate Choice Program Encourages New Technology

This program is designed to enable and assist new home builders who incorporate products and systems that are on the cusp of the mainstream and in line for Energy Star qualification.

If you've ever heard about a hot new product that might set you apart from the competition, the Climate Choice program is right up your alley. Also called "Advanced New Construction", the program gives builders a supportive, safe haven to try emerging technologies to achieve even greater and more inclusive energy efficiency in their new-home projects.

In addition, it provides Energy Star with real-world research that will move these emerging technologies closer to becoming qualified under the program's label. "Builders who employ these technologies get a first-hand look at their market availability, installation, and performance," says Climate Choice coordinator Sam Rashkin. "We learn from their experience in terms of developing standards to qualify new products and systems."

Energy Star is promoting several emerging technologies through Climate Choice, all of which are commercially available if not time-tested in residential applications. Micro Combined Heat & Power (Micro-CHP) systems, for instance, combine an internal-combustion engine generator with a high-efficiency home furnace to produce both electricity and heat for a home. Like other alternative fuel sources (i.e., solar), micro-CHP technology (pictured below, left) displaces grid-supplied electricity to conserve natural resources and reduce carbon dioxide emissions. They are best suited, says EPA, for cold-weather climates.

In addition, a comprehensive approach to energy efficiency, including advanced design and education for occupant behavior to help effect efficiencies, enables builders to incorporate technologies such as air-tight HVAC air handler cabinets, advanced wall systems (i.e. insulated precast, pictured below, right), and structured plumbing systems.



For their commitment, participating builders have the opportunity to reap market distinction and leadership while gaining publicity and recognition through Energy Star. They also are building consumer awareness of the technologies, breaking down barriers to their use, and reducing first-cost premiums by demonstrating their value to others. "We want these builders to leverage the brand we've fostered and benefit from their willingness to chart new paths for home energy efficiencies," says Rashkin.



ASK ABOUT ENERGY STAR

Rmax Insulation Benefits Builders, Homeowners And The Environment

For thirty years, Rmax has manufactured the most comprehensive line of high-quality, environmentally sound, polyiso roof and wall insulation products for the residential, commercial and industrial construction markets. As one of the founding organizations behind the Polyisocyanurate Insulation Manufacturers Association (PIMA), Rmax has been at the forefront of the "green" movement within the insulation industry.

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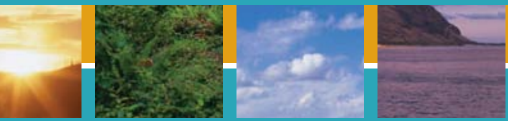
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Designed To Earn Program: Getting An Early Start

This program formally engages design professionals to consider the impact of a home's architectural features and specifications toward qualifying for the Energy Star distinction.

The most-respected green building programs include prerequisites and award points for the design phase of a new building, and now Energy Star is on board to help architects and designers consider its program standards as they develop house plans and specifications.

Called "Designed to Earn", the process requires architects and builders to submit their house plans and specs to an independent review by a home energy rater who uses a predetermined checklist to qualify the design work.



Features that help earn the new label include tight construction methods, a comprehensive (and properly detailed) insulation package, high-performance windows, and Energy Star-qualified lighting and appliances, among others.

Once earned, the house package can be marketed as "ready" to achieve Energy Star qualification once it is built. "Designed to Earn doesn't guarantee that the finished house will qualify for Energy Star," says program coordinator Zak Shadid. Rather, builders and homebuyers considering "stock" plans can be assured that those with the Designed to Earn label needn't be altered to achieve a high level of energy efficiency if they are built as drawn.

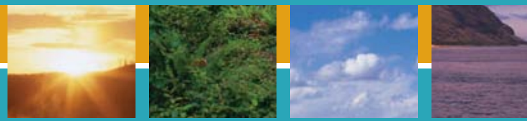


© KieranTimberlake

Energy Star even offers two paths to qualify. The performance-based path models the plans and specifications on a computer to estimate the built home's energy use. The software effectively identifies "weak spots" in the design so that designers and builders can effectively upgrade the home to Energy Star standards.

The prescriptive path, meanwhile, reviews the plans and specifications against the EPA's existing (and climate-specific) Builder Option Package, which has been determined to result in homes that meet Energy Star guidelines for qualification.

Once the house is under construction, the builder or owner must still follow the guidelines and periodic independent inspections required to verify the standards are being met in order to earn—and market—the Energy Star label for the finished home.







ASK ABOUT ENERGY STAR

Indoor Air Plus Charts A New Course

The demand for healthier indoor environments prompts Energy Star to create a separate distinction regarding air quality.

You know a program has reached a certain stage of maturity—and an issue is a hot enough button among consumers—when it "spins off" to address its own segment of the market. Such is the case with "Indoor Air Plus", which seeks to give builders a more refined competitive advantage over non-Energy Star and even Energy Star-qualified homes in areas where indoor health has reached a critical mass of consumer interest and investment potential.

It's important to note that builders seeking this distinction must first qualify their homes under the Energy Star guidelines. Adding the Indoor Air Plus label simply indicates a greater commitment to occupant health, thanks to a comprehensive set of products and tools to achieve that end.

With a formal launch date expected soon, a program has emerged from more than three years of pilot testing, beginning in Denver and later in random markets among builders interested in test-driving the program. "We worked to develop a set of specifications, based on the best available science and building practices, to improve indoor air quality," says Eric Werling, the program's coordinator. "At the same time, we wanted to find a balance between building science and what makes sense for builders."

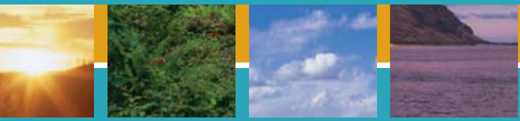
This pilot program enabled Werling and his team to learn about, and investigate, any difficulties builders had with the technologies and products within the program specs. Specifically, they were interested in ironing out why problems emerged, whether they could be overcome, what needed to change and at what cost.



The pilot phase also afforded Energy Star the time to hone its approach to the market for the new program, including a logo and a final set of specifications, before launching Indoor Air Plus in 2009. "We're hoping to build a distinct brand with this program," says Werling. "Builders can co-brand with Energy Star or use our program logo to stand out in a market that's already saturated with Energy Star homes."











ASK ABOUT ENERGY STAR

Affordable Housing Targets The Money

How do you get energy efficient products and systems into low-income housing? Go to those who make funds available for affordable projects.

Public housing isn't known for being much more than an affordable option for low-income families. But if Brian Ng and his team have anything to say about it, the next generation of tax-financed residential projects will provide its owners and renters with an Energy Star level of efficiency and lower living expenses.

Ng is the coordinator of Energy Star's Affordable Housing program, which seeks to integrate the federal initiative's guidelines into the homes of people who benefit most form lower utility bills and durable, low-maintenance housing.

But rather than pitch builders or developers with his message, Ng is targeting the myriad federal, state, and local tax-supported funding sources and incentives that help finance affordable (or workforce) housing development. Simply, he wants these programs to make achieving Energy Star an integral part of their public financing application criteria for low-income housing. Ideally, he would like to make it a requirement in order to qualify for and receive public money and tax credits to develop such projects.

An increasing number of state programs have already adopted—and in some cases mandated—these policies. The ramification will be a proliferation of energy efficiency and other occupant benefits to a segment of the market that has to date been shut out. "An effective way to improve the energy efficiency of affordable housing is to target the money," says Ng. "Integrating Energy Star guidelines into qualifying criteria and scoring systems will encourage builders and developers to make it part of their applications (for public money)," and result in better-built and truly affordable housing.

In New Jersey, for instance, the Green Homes Office of the state's Department of Community Affairs requires Energy Star qualification for all state-financed projects, including the federal low-income housing tax credit program. Since 2000, the Green Homes Office has been responsible for 3,364 Energy Star-qualified affordable housing units built statewide.



For more information about these and other programs, go to www.energystar.gov.



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HOUSEPLANS

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PHOTO COURTESY OF: WWW.SPECTACLEPHOTO.COM



FIRST



SECOND

First Floor: 793 sq. ft. ■ **Second Floor:** 793 sq. ft. ■ **Total:** 1,586 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 20' - 0" X 19' - 0" ■ **Foundation:** Slab

Perfect for a narrow lot, this plan provides all the comforts of a larger home, in a compact yet comfortable space. The downstairs offers an open layout, featuring living, dining, and family areas. The central kitchen boasts a light-filled breakfast nook. Adjacent to the living area, the dining room has a built-in china display cabinet and bar, perfect for entertaining. Upstairs, the master suite is comfortable with access to the private sundeck, modern bathroom with soaking tub, and walk-in closet. The secondary bedrooms each have walk-in closets. Front and back porches provide space for outdoor living.

PLAN # HWBI050001 ■ **5-SET** $1200 ■ **8-SET** N/A ■ **REPRO** $1,200 ■ **CAD** $1,000

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20% OFF!*

First Floor: 1,319 sq. ft. ■ Second Floor: 1,181 sq. ft. ■ Total: 2,500 sq. ft. ■ Bonus Space: 371 sq. ft. ■ Bedrooms: 4 ■ Bathrooms: 2 1/2 ■ Dimensions: 60' - 0" X 42' - 0" ■ Foundation: Crawlspace



FIRST



SECOND

PLAN # HWBI050002 ■ 5-SET $675 ■ 8-SET $775 ■ REPRO $ 1,050 ■ CAD $ 1,380

Square Footage: 1,728 ■ Bedrooms: 2 ■ Bathrooms: 2 ■ Dimensions: 55' - 0" X 48' - 0" ■ Foundation: Crawlspace



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PLAN # HWBI050003 ■ 5-SET $595 ■ 8-SET $650 ■ REPRO $850 ■ CAD $1,270



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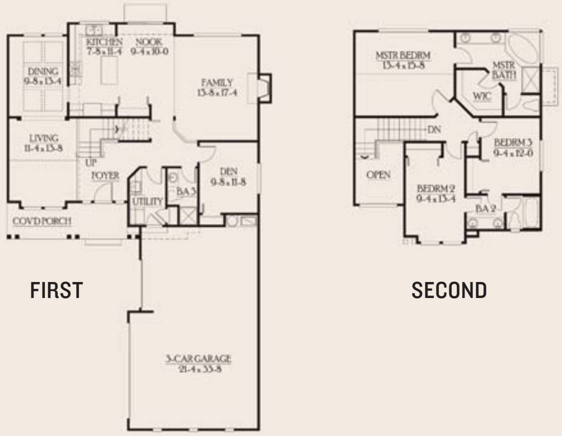
Square Footage: 1,580 ■ Bedrooms: 3 ■ Bathrooms: 2 1/2 ■ Dimensions: 50' - 0" X 48' - 0" ■ Foundation: Crawlspace



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PLAN # HWBI050004 ■ 5-SET $595 ■ 8-SET $650 ■ REPRO $850 ■ CAD $1,270

First Floor: 1,296 sq. ft. ■ **Second Floor:** 819 sq. ft. ■ **Total:** 2,115 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 3 ■ **Dimensions:** 42' - 0" X 68' - 0" ■ **Foundation:** Crawlspace



CORNER LOT!



PLAN # HWBI050005 ■ 5-SET $695 ■
8-SET $750 ■ REPRO $950 ■ CAD $1,750

SIDE LOAD GARAGE!

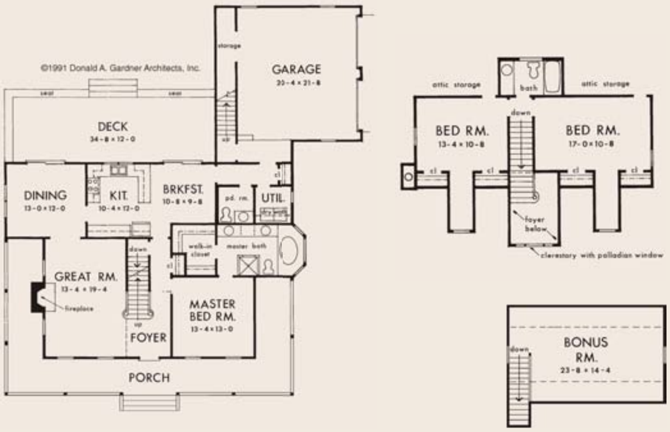


PLAN # HWBI050006 ■ 5-SET $595 ■
8-SET $650 ■ REPRO $850 ■ CAD $1,350

First Floor: 472 sq. ft. ■ **Second Floor:** 823 sq. ft. ■ **Total:** 1,295 sq. ft. ■ **Bedrooms:** 2 ■ **Bathrooms:** 2 ■ **Dimensions:** 30' - 0" X 44' - 0" ■ **Foundation:** Slab



First Floor: 1,356 sq. ft. ■ **Second Floor:** 542 sq. ft. ■ **Total:** 1,898 sq. ft. ■ **Bonus Space:** 393 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 59' - 0" X 64' - 0"



MARGIN MAKER!



PLAN # HWBI050007 ■ 5-SET $750 ■
8-SET $805 ■ REPRO $1,130 ■ CAD N/A

SEE MORE HOUSE PLANS AT WWW.BUILDERHOUSEPLANS.COM



Square Footage: 1,606 ■ **Bonus Space:** 338 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 50' - 0" X 54' - 0"



PLAN # **HWBI050008** ■ **5-SET** $750 ■ **8-SET** $805 ■ **REPRO** $1,130 ■ **CAD** N/A

Square Footage: 2,191 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 62' - 10" X 73' - 6" ■ **Foundation:** Slab





PLAN # **HWBI050009** ■ **5-SET** N/A ■ **8-SET** N/A ■ **REPRO** $1,315 ■ **CAD** $2,410



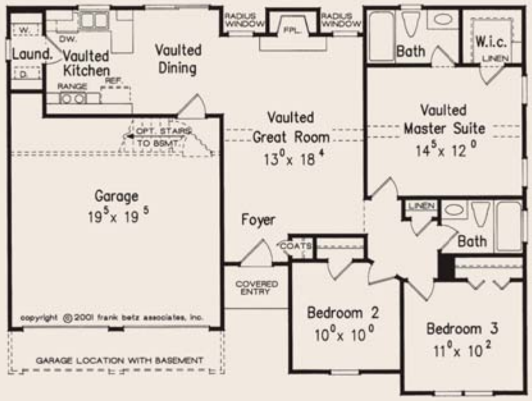
Square Footage: 1,487 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 52' - 6" X 66' - 0" ■ **Foundation:** Crawlspace



PLAN # **HWBI050010** ■ **5-SET** N/A ■ **8-SET** N/A ■ **REPRO** $892 ■ **CAD** $1,636

SEE MORE HOUSE PLANS AT WWW.BUILDERHOUSEPLANS.COM

Square Footage: 1,085 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■
Dimensions: 48' - 0" X 36' - 0" ■ **Foundation:** Crawlspace, Unfinished Walkout Basement





PLAN # HWBI050011 ■ **5-SET** $565 ■ **8-SET** $620 ■ **REPRO** $765 ■ **CAD** $1,230

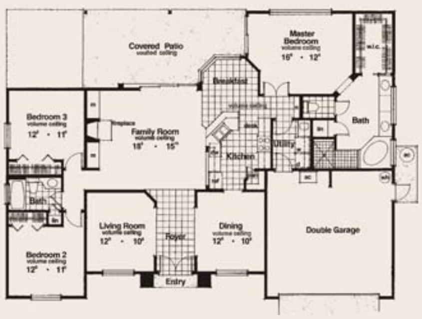


PLAN # HWBI050012 ■ **5-SET** $740 ■ **8-SET** $810 ■ **REPRO** $1,000 ■ **CAD** $1,735

First Floor: 947 sq. ft. ■ **Second Floor:** 981 sq. ft. ■ **Total:** 1,928 sq. ft. ■
Bedrooms: 4 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 41' - 0" X 39' - 4" ■
Foundation: Crawlspace, Slab, Unfinished Walkout Basement



Square Footage: 1,783 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■
Dimensions: 60' - 0" X 45' - 0" ■ **Foundation:** Slab





ALTERNATE LAYOUT



PLAN # HWBI050013 ■ **5-SET** $640 ■ **8-SET** $693 ■ **REPRO** $800 ■ **CAD** $1,270

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PLAN # HWBI050014 ■ **5-SET** $695 ■ **8-SET** $752 ■ **REPRO** $870 ■ **CAD** $1,585

First Floor: 1,008 sq. ft. ■ **Second Floor:** 1,062 sq. ft. ■ **Total:** 2,070 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 40' - 4" X 58' - 8" ■ **Foundation:** Slab



FIRST



SECOND

Square Footage: 1,382 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 41' - 10" X 48' - 10" ■ **Foundation:** Crawlspace, Slab





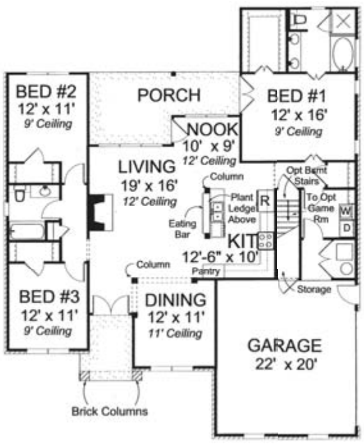
PLAN # HWBI050015 ■ **5-SET** N/A ■ **8-SET** $585 ■ **REPRO** $700 ■ **CAD** $ 1,135

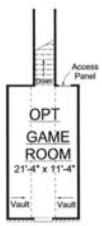


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PLAN # HWBI050016 ■ **5-SET** $630 ■ **8-SET** $690 ■ **REPRO** $870 ■ **CAD** N/A

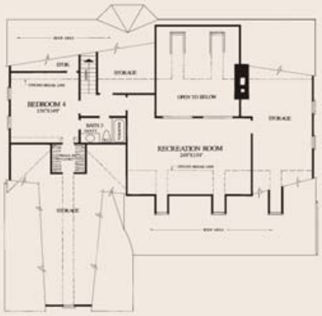
Square Footage: 1,595 ■ **Bonus Space:** 312 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 49' - 0" X 60' - 0"





Square Footage: 2,151 ■ **Bonus Space:** 814 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 61' - 0" X 55' - 8" ■ **Foundation:** Crawlspace, Unfinished Basement





BUILDER FAVORITE!



PLAN # HWB1050017 ■ 5-SET $800 ■ 8-SET $875 ■ REPRO $1,100 ■ CAD N/A

SIMPLE ROOFLINES!



PLAN # HWB1050018 ■ 5-SET $800 ■ 8-SET $875 ■ REPRO $1,100 ■ CAD N/A

First Floor: 1,083 sq. ft. ■ **Second Floor:** 1,023 sq. ft. ■ **Total:** 2,106 sq. ft. ■ **Bonus Space:** 318 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 55' - 0" X 43' - 0" ■ **Foundation:** Crawlspace





First Floor: 1,704 sq. ft. ■ **Second Floor:** 734 sq. ft. ■ **Total:** 2,438 sq. ft. ■ **Bonus Space:** 479 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 3 1/2 ■ **Dimensions:** 50' - 0" X 82' - 6" ■ **Foundation:** Crawlspace



FIRST



SECOND

BONUS SPACE!



PLAN # HWB1050019 ■ 5-SET $800 ■ 8-SET $875 ■ REPRO $1,100 ■ CAD N/A

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First Floor: 1,424 sq. ft. ■ **Second Floor:** 596 sq. ft. ■ **Total:** 2,020 sq. ft. ■ **Bonus Space:** 338 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 45' - 0" X 55' - 2" ■ **Foundation:** Crawlspace, Unfinished Basement



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PLAN # **HWB1050020** ■ **5-SET** $800 ■ **8-SET** $875 ■ **REPRO** $1,100 ■ **CAD** N/A

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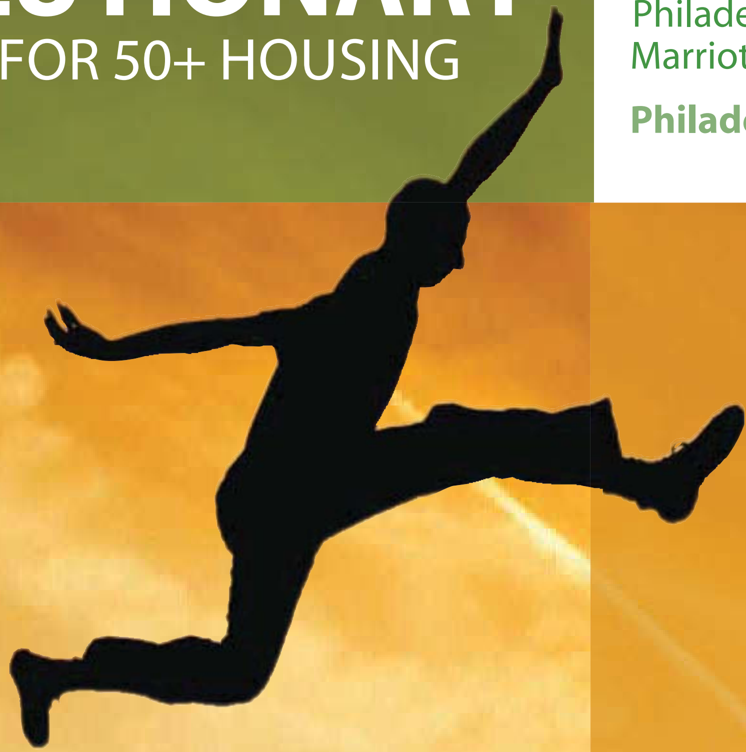


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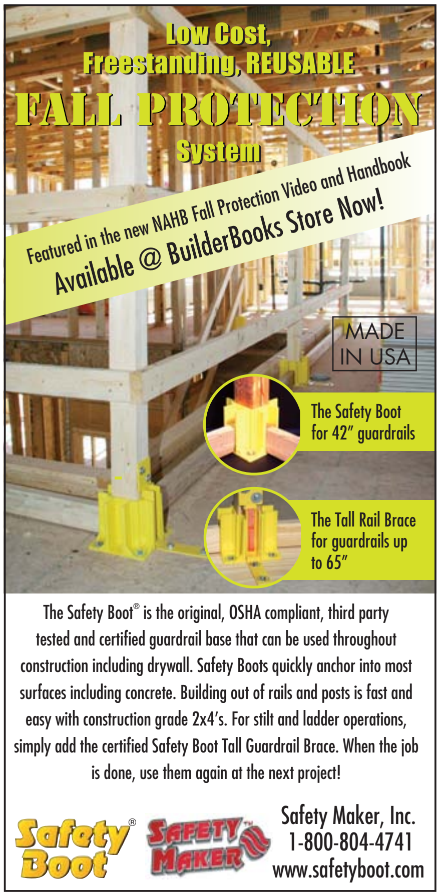

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"I'd love to tell [the president] that I'm one woman who, when I build one house, I employ thousands of people. ... If he wants to put people back to work, he needs to fix housing."

CYNTHIA RUSSELL
OWNER
EMERALD VENTURES
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In January of this year, Cynthia Russell, a home builder in Newberry, Fla., found herself thrust into the national spotlight when she was the first of 10 people selected by the Presidential Inaugural Committee to attend the inaugural ceremonies in Washington, D.C. Overnight, she became something of a celebrity, whisked to New York to be interviewed on "The Today Show" and offered a designer gown to wear to the Neighborhood Ball. Along with the delight of being part of the historic event, Russell also saw the opportunity to talk about the issues builders face in the economic crisis. A builder for nearly 20 years, Russell has struggled to stay afloat after a disastrous 2008 in which she did not sell a single house. She's been living off savings and cashed-in equity on some property. She's also canceled her health insurance and has her house up for sale.—*Pat Curry*

Q: What are the most important issues you're facing today as a builder?

A: For me as a builder, even though I'm trying to offer a better value at a good price, I'm in competition with people who are dumping their homes. ... I've never had a problem getting a loan, even when my financials didn't look good. My last loan took months. You have to jump through a lot of hoops these days. It's scary to think that my credit line might be called.

Q: If you could sit down with President Obama, what would you tell him about the home building industry?

A: I'd love to tell him that I'm one woman who, when I build one house, I employ thousands of people. I employ 40 to 50 subs on each house. They buy products that are put in the homes. That employs people. They can go out to eat, go to movies, and buy trucks. That employs people. If he wants to put people back to work, he needs to fix housing. If they could break the dam in housing, people could go back to work.

Q: In your essay that won you tickets to the inauguration, you said that you wondered how long you could keep your company's doors open. How can the government help you stay in business?

A: I'm like most people who get up and go to work. We aren't looking for a handout. We want the economy to flow and the housing market back on track so we can get back to work. I know things will get better; it's just a question of when. How much longer can builders hold on?

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